

ANNUAL

FINANCIAL

REPORT

VILLAGE OF MARION, MICHIGAN

FEBRUARY 29, 2004

# AUDITING PROCEDURES REPORT

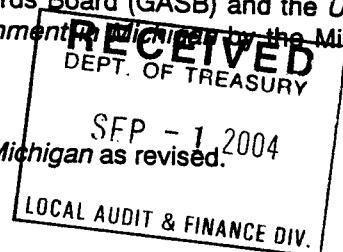
Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Name (Specify) <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		County Osceola
Audit Date February 29, 2004	Opinion Date August 31, 2004	Date Accountant Report Submitted to State: August 31, 2004

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government promulgated by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) Wilson & Sharrar, P.C.			
Street Address 5201 S. Mission Rd	City Mt Pleasant	State MI	ZIP 48858
Accountant Signature <i>Richard Wilson CPA</i>			

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FEBRUARY 28, 2004

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To The Village Council  
Village of Marion  
Marion, Michigan

We have audited the accompanying general purpose financial statements of the Village of Marion, Michigan, as of and for the year ended February 29, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the General Fixed Asset Account Group which should be included in order to conform to accounting principles generally accepted in the United States of America.

In our opinion, except that the omission of the information described in the preceding paragraph results in an incomplete presentation, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Marion, Michigan, as of February 29, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2004, on our consideration of Village of Marion, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Marion, Michigan. These financial statements and schedules are also the responsibility of the Village's management. Such additional information has been subjected to auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Wilson & Sharrar, P.C.*

Wilson & Sharrar, P.C.

August 31, 2004

VILLAGE OF MARION, MICHIGAN  
Combined Balance Sheet  
All Fund Types and Account Groups and Discretely Presented Component Units  
February 29, 2004  
With Comparative Totals For February 28, 2003

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<b>ASSETS</b>				
Cash	\$ 24,811	\$ 16,597	\$ 20,065	\$ 3,898
Investments	227,640	47,018	60,033	3,495
Receivables				
Taxes	21,511	0	0	0
Accounts	0	0	0	0
Due From Other Governmental Units (Note 3)	20,022	13,185	0	0
Due From Other Funds	10,356	72	0	4,251
Fixed Assets (Net of Accumulated Depreciation Where Applicable)(Note 4)	0	0	0	0
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided For Retirement of General Long-Term Debt	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$ 304,340</b>	<b>\$ 76,872</b>	<b>\$ 80,098</b>	<b>\$ 11,644</b>
<b>LIABILITIES AND FUND EQUITY</b>				
Accounts Payable	\$ 3,253	\$ -	\$ -	\$ -
Payroll Withholdings	342	0	0	0
Due to Other Funds	4,251	10,328	0	2,750
Accrued Expenses	455	0	0	0
Customer Deposit Payable	0	0	0	0
Other Liabilities	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>\$ 8,301</b>	<b>\$ 10,328</b>	<b>\$ -</b>	<b>\$ 2,750</b>
<b>FUND EQUITY</b>				
Contributed Capital - Net of Accumulated Amortization	\$ -	\$ -	\$ -	\$ -
General fixed Assets (Note 4)	\$ -	\$ -	\$ -	\$ -
Retained Earnings	\$ -	\$ -	\$ -	\$ -
Fund Balances:				
Reserved For Debt Services	0	0	80,098	0
Unreserved	296,039	66,544	0	8,894
<b>Total Fund Balances/Retained Earnings</b>	<b>\$ 296,039</b>	<b>\$ 66,544</b>	<b>\$ 80,098</b>	<b>\$ 8,894</b>
<b>Total Fund Equity</b>	<b>\$ 296,039</b>	<b>\$ 66,544</b>	<b>\$ 80,098</b>	<b>\$ 8,894</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 304,340</b>	<b>\$ 76,872</b>	<b>\$ 80,098</b>	<b>\$ 11,644</b>

See accompanying notes to combined financial statements.

EXHIBIT 1

PROPRIETARY FUND TYPES ENTERPRISE	Accounts Group GENERAL LONG-TERM DEBT	TOTALS (MEMO-ONLY) PRIMARY GOVERNMENT	COMPONENT UNITS	TOTALS (MEMO-ONLY) REPORTING UNIT
\$ 21,048	\$ -	\$ 86,419	\$ 43,879	\$ 130,298
137,237	0	475,423	220,729	696,152
0	0	21,511	0	21,511
0	0	0	1,500	1,500
0	0	33,207	17,481	50,688
2,650	0	17,329	0	17,329
1,119,553	0	1,119,553	0	1,119,553
0	20,066	20,066	0	20,066
0	1,698,993	1,698,993	19,393	1,718,386
<u>\$ 1,280,488</u>	<u>\$ 1,719,059</u>	<u>\$ 3,472,501</u>	<u>\$ 302,982</u>	<u>\$ 3,775,483</u>
\$ 934	\$ -	\$ 4,187	\$ 2,803	\$ 6,990
0	0	342	0	342
0	0	17,329	0	17,329
0	0	455	78	533
150	0	150	0	150
0	0	0	19,393	19,393
0	1,719,059	1,719,059	0	1,719,059
<u>\$ 1,084</u>	<u>\$ 1,719,059</u>	<u>\$ 1,741,522</u>	<u>\$ 22,274</u>	<u>\$ 1,763,796</u>
\$ 690,011	\$ -	\$ 690,011	\$ -	\$ 690,011
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 589,393	\$ -	\$ 589,393	\$ -	\$ 589,393
0	0	80,098	0	80,098
0	0	371,477	280,708	652,185
<u>\$ 589,393</u>	<u>\$ -</u>	<u>\$ 1,040,968</u>	<u>\$ 280,708</u>	<u>\$ 1,321,676</u>
<u>\$ 1,279,404</u>	<u>\$ -</u>	<u>\$ 1,730,979</u>	<u>\$ 280,708</u>	<u>\$ 2,011,687</u>
<u>\$ 1,280,488</u>	<u>\$ 1,719,059</u>	<u>\$ 3,472,501</u>	<u>\$ 302,982</u>	<u>\$ 3,775,483</u>



VILLAGE OF MARION, MICHIGAN  
Combined Statement of Revenues, Expenditures and Changes In Fund Balances  
All Governmental Fund Types and Discretely Presented Component Units  
Year Ended February 29, 2004  
With Comparative Totals For Year Ended February 28, 2003

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<b>REVENUES</b>				
Taxes	\$ 130,012	\$ -	\$ 65,625	\$ -
State Grants	120,525	87,128	-	-
Contributions From Local Units	-	-	-	-
Charges For Services	32,497	-	-	-
Fines and Forfeits	12	-	-	-
Interest and Rentals	4,479	459	561	183
Other Revenues	88,892	-	-	1,000
<b>TOTAL REVENUES</b>	<b>\$ 376,417</b>	<b>\$ 87,587</b>	<b>\$ 66,186</b>	<b>\$ 1,183</b>
<b>EXPENDITURES</b>				
Legislative	\$ 22,763	\$ -	\$ -	\$ -
General Government	87,782	-	-	-
Public Safety	48,880	-	-	-
Planning Commission	1,200	-	-	-
Public Works	69,268	156,547	-	917,302
Culture and Recreation	24,687	-	-	-
Other Functions	43,451	-	-	-
Debt Service:	-	-	-	-
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	21,241	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 298,031</b>	<b>\$ 156,547</b>	<b>\$ 21,241</b>	<b>\$ 917,302</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ 78,386</b>	<b>\$ (68,960)</b>	<b>\$ 44,945</b>	<b>\$ (916,119)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers From Other Funds	\$ 1,100	\$ 38,010	\$ -	\$ -
Operating Transfers To Other Funds	(21,945)	(16,465)	-	-
Operating Transfers To Primary Government	-	-	-	-
Operating Transfers From Primary Government	-	-	-	-
Operating Transfers To Component Units	(31,569)	-	-	-
Operating Transfers From Components Units	-	11,929	10,000	-
Bond Proceeds	-	-	-	912,888
Principal Lease Payments	-	-	-	-
Interest Payments	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (52,414)</b>	<b>\$ 33,474</b>	<b>\$ 10,000</b>	<b>\$ 912,888</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ 25,972</b>	<b>\$ (35,486)</b>	<b>\$ 54,945</b>	<b>\$ (3,231)</b>
Fund Balance - Beginning of Year	270,067	102,030	25,153	12,125
Fund Balance - End of Year	<u>\$ 296,039</u>	<u>\$ 66,544</u>	<u>\$ 80,098</u>	<u>\$ 8,894</u>

See accompanying notes to combined financial statements.

## EXHIBIT 2

TOTALS (MEMO-ONLY) PRIMARY GOVERNMENT	COMPONENT UNITS	TOTALS (MEMO-ONLY) REPORTING ENTITY	
		2004	2003
\$ 195,637	\$ 21,881	\$ 217,518	\$ 208,664
207,653	29,735	237,388	249,381
0	57,532	57,532	58,775
32,497	5,061	37,558	43,189
12	310	322	301
5,682	2,788	8,470	9,339
89,892	85,891	175,783	141,465
<u>\$ 531,373</u>	<u>\$ 203,198</u>	<u>\$ 734,571</u>	<u>\$ 711,114</u>
\$ 22,763	\$ -	\$ 22,763	\$ 19,416
87,782	0	87,782	108,678
48,880	148,590	197,470	115,675
1,200	0	1,200	1,200
1,143,117	52,948	1,196,065	1,023,524
24,687	61,423	86,110	87,750
43,451	0	43,451	18,529
0	0	0	46,400
21,241	0	21,241	4,585
<u>\$ 1,393,121</u>	<u>\$ 262,961</u>	<u>\$ 1,656,082</u>	<u>\$ 1,425,757</u>
\$ (861,748)	\$ (59,763)	\$ (921,511)	\$ (714,643)
\$ 39,110	\$ -	39,110	\$ 41,833
(38,410)	0	(38,410)	(41,133)
0	(21,929)	(21,929)	(15,000)
0	31,569	31,569	27,297
(31,569)	(2,500)	(34,069)	(27,297)
21,929	2,500	24,429	15,000
912,888	0	912,888	878,922
0	(7,118)	(7,118)	(6,780)
0	(1,223)	(1,223)	(1,562)
<u>\$ 903,948</u>	<u>\$ 1,299</u>	<u>\$ 905,247</u>	<u>\$ 871,280</u>
\$ 42,200	\$ (58,464)	(16,264)	\$ 156,637
409,375	339,172	748,547	591,910
<u>\$ 451,575</u>	<u>\$ 280,708</u>	<u>\$ 732,283</u>	<u>\$ 748,547</u>

VILLAGE OF MARION, MICHIGAN  
Combined Statement of Revenues, Expenditures and Changes In Fund Balances  
Budget and Actual  
All Governmental Fund Types  
Year Ended February 29, 2004

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- Favorable (Unfavorable)
<b>REVENUES</b>			
Taxes	\$ 129,200	\$ 130,012	\$ 812
State Grants	129,450	120,525	(8,925)
Charges For Services	33,350	32,497	(853)
Fines and Forfeits	0	12	12
Interest and Rentals	4,400	4,479	79
Other Revenues	90,000	88,892	(1,108)
<b>TOTAL REVENUES</b>	<b>\$ 386,400</b>	<b>\$ 376,417</b>	<b>\$ (9,983)</b>
<b>EXPENDITURES</b>			
Legislative	\$ 20,100	\$ 22,763	\$ (2,663)
General Government	91,806	87,782	4,024
Public Safety	52,509	48,880	3,629
Planning Commission	1,000	1,200	(200)
Public Works	157,813	69,268	88,545
Culture and Recreation	19,455	24,687	(5,232)
Other Functions	49,941	43,451	6,490
Debt Service:			
Principal Retirement	0	0	-
Interest and Fiscal Charges	0	0	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 392,624</b>	<b>\$ 298,031</b>	<b>\$ 94,593</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ (6,224)</b>	<b>\$ 78,386</b>	<b>\$ 84,610</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers From Other Funds	\$ -	\$ 1,100	1,100
Operating Transfers To Other Funds	0	(21,945)	(21,945)
Operating Transfers From Component Units	0	0	-
Operating Transfers To Component Units	(27,835)	(31,569)	(3,734)
Operating Transfers To Primary Government	0	0	-
<b>TOTAL OTHER FINANCING SOURCES (USED)</b>	<b>\$ (27,835)</b>	<b>\$ (52,414)</b>	<b>\$ (24,579)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ (34,059)</b>	<b>\$ 25,972</b>	<b>\$ 60,031</b>
Fund Balance - Beginning of Year	270,067	270,067	0
Fund Balance - End of Year	<b>\$ 236,008</b>	<b>\$ 296,039</b>	<b>\$ 60,031</b>

See accompanying notes to combined financial statements.

## EXHIBIT 3

SPECIAL REVENUE FUND TYPES			DEBT SERVICE FUND TYPES		
BUDGET	ACTUAL	VARIANCE- FAVORABLE (Unfavorable)	BUDGET	ACTUAL	VARIANCE- FAVORABLE (Unfavorable)
\$ -	\$ -	\$ -	\$ 62,500	\$ 65,625	\$ 3,125
86,138	87,128	990	-	-	-
-	-	-	-	-	-
300	459	159	-	561	561
-	-	-	-	-	-
<u>\$ 86,438</u>	<u>\$ 87,587</u>	<u>\$ 1,149</u>	<u>\$ 62,500</u>	<u>\$ 66,186</u>	<u>\$ 3,686</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
169,300	156,547	12,753	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 169,300</u>	<u>\$ 156,547</u>	<u>\$ 12,753</u>	<u>35,000</u>	<u>21,241</u>	<u>13,759</u>
			<u>\$ 35,000</u>	<u>\$ 21,241</u>	<u>\$ 13,759</u>
<u>\$ (82,862)</u>	<u>\$ (68,960)</u>	<u>\$ 13,902</u>	<u>\$ 27,500</u>	<u>\$ 44,945</u>	<u>\$ 17,445</u>
\$ 20,000	\$ 38,010	\$ 18,010	\$ -	\$ -	\$ -
(400)	(16,465)	(16,065)	-	-	-
-	11,929	11,929	5,000	10,000	5,000
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 19,600</u>	<u>\$ 33,474</u>	<u>\$ 13,874</u>	<u>\$ 5,000</u>	<u>\$ 10,000</u>	<u>\$ 5,000</u>
\$ (63,262)	\$ (35,486)	\$ 27,776	\$ 32,500	\$ 54,945	\$ 22,445
102,030	102,030	-	25,153	25,153	-
<u>\$ 38,768</u>	<u>\$ 66,544</u>	<u>\$ 27,776</u>	<u>\$ 57,653</u>	<u>\$ 80,098</u>	<u>\$ 22,445</u>

## EXHIBIT 4

VILLAGE OF MARION, MICHIGAN  
 Combined Statement of Revenues, Expenses and Changes In Retained Earnings  
 All Proprietary Fund Types  
 Year Ended February 29, 2004

	ENTERPRISE FUNDS	
	2004	2003
<u>OPERATING REVENUES</u>		
Service Billings	\$ 161,873	\$ 165,221
Other	17,224	-
Total Operating Revenues	<u>\$ 179,097</u>	<u>\$ 165,221</u>
<u>OPERATING EXPENSES</u>		
Personal Services	\$ 29,851	\$ 27,551
Employee Benefits	14,293	22,595
Administrative Services	16,000	16,000
Contractual Services	34,083	33,365
Office Supplies and Expenses	2,524	1,484
Operating Supplies and Expenses	32,167	24,743
Heat, Light and Power	6,703	8,422
Depreciation	62,124	60,884
Rentals	12,868	18,914
TOTAL OPERATING EXPENSES	<u>\$ 210,613</u>	<u>\$ 213,958</u>
OPERATING INCOME (LOSS)	\$ (31,516)	\$ (48,737)
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest and Refunds	708	625
Other Rents	2,000	5,878
Operating Transfers in (Out)	(700)	186
NET INCOME (LOSS)	\$ (29,508)	\$ (42,048)
Depreciation on Fixed Assets Acquired by Grants and Shared Revenues Externally Restricted For Capital Acquisitions and Constructions That Reduces Contributed Capital	<u>36,475</u>	<u>36,475</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	\$ 6,967	\$ (5,573)
<u>RETAINED EARNINGS</u> - Beginning of Year	<u>582,426</u>	<u>587,999</u>
<u>RETAINED EARNINGS</u> - End of Year	<u>\$ 589,393</u>	<u>\$ 582,426</u>

See accompanying notes to combined financial statements.

VILLAGE OF MARION, MICHIGAN  
Combined Statement of Cash Flows  
All Proprietary Fund Types  
Year Ended February 29, 2004

EXHIBIT 5

		<u>ENTERPRISE FUNDS</u>	
		<u>2004</u>	<u>2003</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash Received From Customers	\$	179,097	\$ 165,221
Cash Payments to Suppliers For Goods and Services		(93,846)	(91,227)
Cash Payments to Employees For Services		(29,851)	(27,551)
Cash Payments to Other Funds For Services		(28,868)	(34,913)
Net Cash Provided (Used) By Operating Activities	\$	<u>26,532</u>	<u>\$ 11,530</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>			
Operating Transfers From (to) Other Funds	\$	(700)	\$ 186
Other Miscellaneous Revenues		2,000	5,878
Net Cash Flows From Non-Capital Financing Activities	\$	<u>1,300</u>	<u>\$ 6,064</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Acquisition of Capital Assets	\$	(25,091)	\$ (29,304)
Sale of Capital Assets		-	40,980
Net Cash Provided (Used) By Capital and Related Financing Activities	\$	<u>(25,091)</u>	<u>\$ 11,676</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest on Cash and Investments	\$	708	\$ 625
Increase (Decrease) in Cash and Cash Investments	\$	3,449	\$ 29,895
Cash and Cash Investments - Beginning of Year		154,836	124,941
Cash and Cash Investments - End of Year	\$	<u>158,285</u>	<u>\$ 154,836</u>
<u>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>			
Income From Operations	\$	(31,516)	\$ (48,735)
Adjustments to Reconcile Income (Loss) From Operations To Net Cash Provided By Operating Activities:			
Depreciation		62,124	60,883
Changes in Assets And Liabilities:			
Decrease (Increase) in Due From Other Funds		108	15,482
Increase (Decrease) in Accounts Payable		(1,426)	(637)
Increase (Decrease) in Due To Other Funds		(2,758)	(15,463)
Net Cash Provided (Used) by Operating Activities	\$	<u>26,532</u>	<u>\$ 11,530</u>

See accompanying notes to combined financial statements.

## EXHIBIT 6

VILLAGE OF MARION, MICHIGAN  
 Component Units  
 Combining Balance Sheet  
 February 29, 2004  
 With Comparative Totals For February 28, 2003

	MARION COMMUNITY FIRE DEPT.	DOWNTOWN DEVELOPMENT AUTHORITY	MARION PUBLIC LIBRARY	TOTALS 2004	TOTALS 2003
<b>ASSETS</b>					
Cash	\$ 16,060	\$ 15,623	\$ 12,196	\$ 43,879	\$ 86,518
Investments	30,890	81,565	108,274	220,729	232,639
Accounts Receivable	1,500	-	-	1,500	1,000
Due From Other Governments	16,093	-	1,388	17,481	21,501
<b>TOTAL ASSETS</b>	<b>\$ 64,543</b>	<b>\$ 97,188</b>	<b>\$ 121,858</b>	<b>\$ 283,589</b>	<b>\$ 341,658</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 2,528	\$ -	\$ 274	\$ 2,802	\$ 2,446
Retirement Payable	-	-	78	78	40
<b>TOTAL LIABILITIES</b>	<b>\$ 2,528</b>	<b>\$ -</b>	<b>\$ 352</b>	<b>\$ 2,880</b>	<b>\$ 2,486</b>
<b>FUND BALANCE</b>					
Unreserved	62,015	97,188	121,506	280,709	339,172
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 64,543</b>	<b>\$ 97,188</b>	<b>\$ 121,858</b>	<b>\$ 283,589</b>	<b>\$ 341,658</b>

See accompanying notes to combined financial statements.

## VILLAGE OF MARION, MICHIGAN

## Component Units

Combining Statement of Revenues, Expenditures and Changes In Fund Balances  
Year Ended February 29, 2004

With Comparative Actual Amounts for Year Ended February 28, 2003

	MARION COMMUNITY FIRE DEPT.	DOWNTOWN DEVELOPMENT AUTHORITY	MARION PUBLIC LIBRARY	TOTALS	
				2004	2003
<b>REVENUES</b>					
Taxes	\$ -	\$ 11,370	\$ 10,511	\$ 21,881	\$ 21,617
State Grants	-	-	29,735	29,735	38,768
Contribution From Local Units	54,542	-	2,990	57,532	58,775
Charges For Service	4,100	-	961	5,061	6,843
Fines and Forfeits	-	-	310	310	236
Interest and Rents	201	1,189	1,398	2,788	4,344
Other Revenues	83,713	-	2,178	85,891	31,186
<b>TOTAL REVENUES</b>	<b>\$ 142,556</b>	<b>\$ 12,559</b>	<b>\$ 48,083</b>	<b>\$ 203,198</b>	<b>\$ 161,769</b>
<b>EXPENDITURES</b>					
Buildings & Grounds	\$ -	\$ 52,948	\$ -	\$ 52,948	\$ -
Public Safety	148,590	-	-	148,590	77,482
Recreation and Culture	-	400	61,023	61,423	71,153
<b>TOTAL EXPENDITURES</b>	<b>\$ 148,590</b>	<b>\$ 53,348</b>	<b>\$ 61,023</b>	<b>\$ 262,961</b>	<b>\$ 148,635</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (6,034)	\$ (40,789)	\$ (12,940)	\$ (59,763)	\$ 13,134
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers From(to)					
Primary Government	6,684	24,885	-	31,569	27,297
Primary Government	-	(21,929)	-	(21,929)	(15,000)
Component Units	2,500	-	-	2,500	-
Component Units	-	(2,500)	-	(2,500)	-
Principal Lease Payments	(7,118)	-	-	(7,118)	(6,780)
Interest Payments	(1,223)	-	-	(1,223)	(1,562)
Excess (Deficiency) of Revenue Over Expenditures and Sources (Uses)	\$ (5,191)	\$ (40,333)	\$ (12,940)	\$ (58,463)	\$ 17,089
<b>FUND BALANCE -Beginning of Year</b>	<b>67,206</b>	<b>137,521</b>	<b>134,445</b>	<b>339,172</b>	<b>322,083</b>
<b>FUND BALANCE -End of Year</b>	<b>\$ 62,015</b>	<b>\$ 97,188</b>	<b>\$ 121,505</b>	<b>\$ 280,709</b>	<b>\$ 339,172</b>

See accompanying notes to combined financial statements.



VILLAGE OF MARION, MICHIGAN  
Notes To Financial Statements  
February 29, 2004

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Marion, Michigan, was incorporated in 1889. The Village is a general law Village and has adopted Act 3 of 1895 of the State of Michigan as its charter. The Village operates under a council/president form of government and provides the following services as authorized by its charter: Public safety (police and fire), highways and streets, sanitation, health, culture-recreation, public improvements and general administrative services. In addition the Village operates water and sewer enterprise funds.

The accompanying financial statements present the Village' s primary government and component units over which the Village exercises significant influence. Significant influence is based on operation or financial relationships with the Village (as distinct from legal relationships). Component Units are reported in the Village' s comprehensive annual financial report as shown in the following table:

<u>Discretely Presented Component Units</u>	<u>Brief Description of Activities and Relationships to Village</u>
Marion Community Fire Department	Provide fire protection to Village and surrounding participating townships. Village contributes to cost of operation.
Downtown Development Authority	Receive property tax revenues from the Village and Marion Township and use those monies to promote economic growth and increase property tax valuation within the business district.
Marion Public Library	Maintain Community Library for use by Village and participating township residents. The Village levies one mill for operation of the library.

The accounting and reporting policies of the Village relating to the funds and account groups included in the accompanying combined financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB' s Codification of Governmental Accounting and Financial Reporting Standards, the Village has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the Village are described below.

- Continued -

VILLAGE OF MARION, MICHIGAN  
Notes To Financial Statements - Continued  
February 29, 2004

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Fund Accounting

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into four fund types and two broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Products Funds - Industrial complex construction funds are used to record the construction of an industrial complex in the Village. The 2002 General Obligation Unlimited Tax Bonds Construction Fund is used to account for the cost of improvements to the water supply system.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the government body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

B. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spend able resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spend able resources" during a period.

- Continued -

VILLAGE OF MARION, MICHIGAN  
Notes To Financial Statements - Continued  
February 29, 2004

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Fixed Assets and Long-Term Liabilities - Continued

The general purpose financial statements do not include a record of the Village' s general fixed assets required by Generally Accepted Accounting Principles. The fixed assets used in all governmental fund type operations (general fixed assets) should be accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain general fixed assets consisting of certain improvements other than building, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized along with other general fixed assets.

All fixed assets would be valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets should be valued at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The two account groups are not " funds" . They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are, instead, reported as liabilities in the General Long-Term Debt Account Group.

All Proprietary Funds are accounted for on a cost-of-service or " capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on Proprietary Fund balance sheets.

Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Buildings	50 Years
Improvements Other Than Buildings	20-50 Years
Equipment	10 Years

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

- Continued -

VILLAGE OF MARION, MICHIGAN  
Notes To Financial Statements - Continued  
February 29, 2004

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Basis of Accounting - Continued

All governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 90 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

All Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

D. Budgets and Budgetary Accounting

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to February 29, the budget committee and the clerk prepare a proposed budget for presentation to the Village Council. The operating budget includes proposed expenditures and the means of financing them.

2. Prior to February 29, the budget is legally enacted through passage of a budget ordinance.

3. All transfers of budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund must be approved by the Village Council. General fund expenditures may not legally exceed appropriations at the major function level. Expenditures in all other funds may not exceed appropriations at the total fund level.

4. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Village Council from time to time throughout the year. Budgeted amounts in the Proprietary Funds are from "informational summaries" prepared to comply with state law. They are not included in the appropriations ordinance and are included for informational purposes.

E. Deposits and Investments

\$542,070 of the government's deposits at year-end totaling \$826,451 in the checking accounts, savings accounts, and certificates of deposit were covered by federal depository insurance.

-Continued -

VILLAGE OF MARION, MICHIGAN  
Notes To Financial Statements - Continued  
February 29, 2004

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Deposits and Investments - Continued

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The deposits and investments at year-end are as follows:

	PRIMARY GOVERNMENT	COMPONENT UNITS
Checking Accounts	\$ 86,419	\$ 43,879
Savings Accounts	341,185	27,364
Certificates of Deposit	134,238	193,365
<b>TOTAL DEPOSITS</b>	<b>\$ 561,842</b>	<b>\$ 264,608</b>

F. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Village's financial position and operations. However, comparative (i.e. presentation of prior year totals by fund type) data has not been presented in each of the statements since its inclusion would make the statements unduly complex and difficult to read.

G. Total Columns of Combined Statements

Total Columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund elimination's have not been made in the aggregation of this data.

H. Deferred Compensated Absences

The Village has a policy that does not permit employees to accumulate sick pay, bank overtime hours or accumulate unused vacation benefits. At February 29, 2004 there were therefore no deferred compensated absences to be reflected in the financial statements in accordance with GASB No. 16.

- Continued -

VILLAGE OF MARION, MICHIGAN  
Notes To Financial Statements - Continued  
February 29, 2004

(2) PROPERTY TAX

Village Property Tax revenues are recognized as revenue in the year in which they are levied. Taxes are payable on July 1. The Village bills and collects its own property taxes until such time as they become delinquent. At that date, February 15, taxes are payable to the Osceola County Treasurer. The county operates a revolving tax fund which is used to pay off the delinquent real property tax roll of the Village, usually in May of the next year. The real property taxes receivable at February 29, 2004, and February 28, 2003 were \$21,511 and \$18,348 respectively.

(3) DUE FROM OTHER GOVERNMENTAL UNITS

The Amounts Due From Other Governmental Units of \$50,688 includes \$33,207 in state shared revenue and \$17,481 due from townships.

(4) PROPRIETARY FUND TYPE PROPERTY, PLANT AND EQUIPMENT

A summary of Proprietary Fund type property, plant and equipment at February 29, 2004 follows:

	WATER SUPPLY	SEWAGE DISPOSAL SYSTEM	TOTAL
Land	\$ 12,150.00	\$ 20,137.99	\$ 32,287.99
Building	-	20,000.00	20,000.00
Improvements Other Than Buildings	633,700.91	1,659,979.95	2,293,680.86
Machinery and Equipment	29,433.67	20,920.39	50,354.06
<b>TOTAL</b>	<b>\$ 675,284.58</b>	<b>\$ 1,721,038.33</b>	<b>\$ 2,396,322.91</b>
Less Accumulated Depreciation	(446,038.25)	(830,731.44)	(1,276,769.69)
<b>NET</b>	<b>\$ 229,246.33</b>	<b>\$ 890,306.89</b>	<b>\$ 1,119,553.22</b>

(5) CHANGES IN LONG-TERM DEBT

The following is a summary of debt transactions of the Village of Marion for the year ended February 29, 2004 and February 28, 2003:

	2004	2003
2002 General Unlimited Tax Water bonds (See Note 12):		
Debt payable at March 1,	\$ 806,171	\$ -
Proceeds from State Revolving Fund Loan	912,888	878,922
Less Planning Costs Reimbursement	\$ -	\$ (72,751)
Debt Payable at February 29,	<u>\$ 1,719,059</u>	<u>\$ 806,171</u>

-Continued-

VILLAGE OF MARION, MICHIGAN  
Notes To Financial Statements - Continued  
February 29, 2004

(6) OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

A. Interfund payables and receivables at February 29, 2004, were as follows:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES	DUE FROM COMPONENT UNIT	DUE TO COMPONENT UNIT
General Fund	\$ 10,356.24	\$ 4,250.74	\$ -	\$ -
Major Street Fund	-	3,748.76		
Local Street Fund	71.51	6,578.99	-	-
Industrial Complex				
Construction Fund	4250.74	-	-	-
DWRF Construction Fund	-	2,749.93	-	-
Water Supply System	2,649.93	-	-	-
	<u>\$ 17,328.42</u>	<u>\$ 17,328.42</u>	<u>\$ -</u>	<u>\$ -</u>

B. Funds with expenditures in excess of appropriations were as follows:

	Appropriations	Expenditures
General Fund		
Village Council	20,100	22,763
Independent Audit and Accounting	8,000	8,500
Building and Grounds	22,719	23,640
Planning Commission	1,000	1,200
Recreation and Culture	19,455	24,687
Operating Transfers To Other Funds	0	21,945
Operating Transfers To Component Units	27,835	31,569
Local Street Fund		
Total Expenditures	73,650	95,670
Sewage Disposal System		
Operating Expenses	57,347	91,687
Water Supply System		
Operating Expenditures	86,933	118,926
Marion Community Fire Department		
Expenditures	64,513	148,590

The Downtown Development Authority Fund had Budgeted Expenditures that exceeded Beginning Fund Balance and Budgeted Revenue by \$479.

-Continued-

VILLAGE OF MARION, MICHIGAN  
Notes To Financial Statements - Continued  
February 29, 2004

(6) OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES - Continued

C. Segment information for the Village of Marion Enterprise Funds includes both the Water Supply System and the Sewage Disposal System and was as follows for the year ended February 29, 2004.

	SUPPLY SYSTEMS	DISPOSAL SYSTEM	TOTAL
Operating Revenues	\$ 131,141	\$ 47,956	\$ 179,097
Depreciation	17,402	44,722	62,124
Operating Income (Loss)	12,215	(43,731)	(31,516)
Non-Operating Revenues (Expenses)	(144)	2,152	2,008
Total Identifiable Assets	675,285	1,721,038	2,396,323
Property and Equipment Additions	4,657	20,433	25,090
Working Capital	45,008	114,843	159,851
Total Equity	274,254	1,005,150	1,279,404

- Continued -



VILLAGE OF MARION, MICHIGAN  
Notes To Financial Statements - Continued  
February 29, 2004

(7) OPERATING TRANSFERS WITHIN THE REPORTING ENTITY

The following is a schedule of operating and capital transfers between funds for the year ended February 29, 2004 within the primary government and between the primary government and component units:

FUND	PRIMARY GOVERNMENT		COMPONENT UNITS	
	TRANSFERS IN	TRANSFERS OUT	TRANSFERS IN	TRANSFERS OUT
General Fund				
Local Street Fund	\$ 200.00	\$ 21,945.00	\$ -	\$ -
Marion Community Fire Department Fund	-	6,684.22	-	-
Downtown Development Authority Fund	-	24,884.91	-	-
Major Street Fund	200.00	-	-	-
Water Supply System	200.00	-	-	-
Sewage Disposal System	500.00	-	-	-
Major Street Fund				
General Fund	-	200.00	-	-
Local Street Fund	-	16,064.78	-	-
Downtown Development Authority Fund	11,929.00	-	-	-
Local Street Fund				
General Fund	21,945.00	200.00	-	-
Major Street Fund	16,064.78	-	-	-
2002 General Obligation Unlimited Tax Bonds Debt Retirement Fund				
Downtown Development Authority Fund	10,000.00	-	-	-
Marion Community Fire Department Fund				
General Fund	-	-	6,684.22	-
Downtown Development Authority Fund	-	-	2,500.00	-
Downtown Development Authority Fund				
General Fund	-	-	24,884.91	24,429.00
Water Supply System				
General Fund	-	200.00	-	-
Sewage Disposal System				
General Fund	-	500.00	-	-
	<u>\$ 61,038.78</u>	<u>\$ 70,678.91</u>	<u>\$ 34,069.13</u>	<u>\$ 24,429.00</u>

- Continued -

VILLAGE OF MARION, MICHIGAN  
Notes To Financial Statements - Continued  
February 29, 2004

(8) RETIREMENT COMMITMENTS

Michigan Municipal Employees Retirement System (MERS)

Plan Description and Provisions:

The Village of Marion became a participating municipality of the Municipal Employees' Retirement System on September 1, 1988. MERS is a multiple-employer, cost-sharing pension plan. The payroll for employees covered by the MERS for March 1, 2003, through February 29, 2004 was \$153,318. The Village's total payroll for the period was \$212,103.

FEBRUARY 29,  
2004

GROUP

Retirees and Beneficiaries Currently Receiving Benefits	3
Active Employees	6

Plan Description and Provisions

Normal retirement is at age 60 with 10 or more years of service, age 55 with 15 years of service (reduced benefit) or age 50 with 25 years of service (reduced benefit). Employees attaining retirement age are entitled to various benefit options ranging from 1.5 percent of FAC to 2.25 percent of FAC times years of credited service. The retirement allowance is reduced by 1/2 of 1 percent for each complete month that retirement precedes the age at which full normal retirement benefits are available. Total and permanent disability while employed by the Village after acquiring 10 or more years of credited service, entitles the employee to a benefit computed in the same manner as a service retirement except that the reduction for retirement before age 60 is not applied. The service requirement is waived if the disability is from service connected causes. If a member or vested former member with 10 or more years of service dies before retirement, a monthly survivor allowance is payable based on the joint and survivor benefit option, without application of the reduction for retirement before age 60. The plan allows each employee to contribute 3 percent of his pay through payroll withholdings.

Funding Status and Progress:

The amount shown below as the "Actuarial Accrued Liability" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is the actuarial present value of credited projected benefits and is intended to (i) help users assess the PFRS funding status on a going-concern basis, (ii) assess progress being made in accumulating sufficient assets to pay benefits when due and (iii) allow for comparisons among public employee retirement plans. The measure is independent of the actuarial funding method used to determine contributions to the PFRS.

- Continued -

VILLAGE OF MARION, MICHIGAN  
Notes To Financial Statements - Continued  
February 29, 2004

(8) RETIREMENT COMMITMENTS - Continued

Funding Status and Progress - Continued

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of December 31, 1995. Significant actuarial assumptions used in determining the pension benefit obligation includes: (a) a rate of return on the investment of present and future assets of 8.0 percent per year compounded annually, (b) projected salary increases of 5.0 percent per year compounded annually attributable to inflation, (c) additional annual salary increases ranging from 0 percent to 4.2 percent, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will not increase after retirement.

At December 31, 2003, the Unfunded Actuarial Accrued Liability was in excess of assets by \$61,101, determined as follows:

<u>PENSION BENEFIT OBLIGATION</u>	<u>DECEMBER 31 2003</u>
Retirees and Beneficiaries Currently Receiving Benefits	\$ 84,170
Terminated Employees Not yet Receiving Benefits	10,141
Current Employees:	
Accumulated Employee Contributions Including Allocated Investment Income	43,700
Employer Financed	193,365
Total Actuarial Accrued Liability	\$ 331,376
Net Assets Available For Plan Benefits, at Actuarial Value	270,275
Unfunded (Over funded) Actuarial Accrued Liability	\$ 61,101

Contributions Required and Contributions Made:

The MERS funding policy provides for periodic employer contributions at the actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

During the year ended February 29, 2004, employer contributions totaling \$5533 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2002. For the fiscal year beginning March 1, 2005 the annual required contribution is \$7,332 using an amortization factor of 0.053632.

-Continued-

VILLAGE OF MARION, MICHIGAN  
Notes To Financial Statements - Continued  
February 29, 2004

(9) MARION COMMUNITY FIRE DEPARTMENT

The Marion Community Fire Department is a joint venture fire department supported by Hartwick, Highland, Redding, Marion, Middle Branch and Winterfield townships and the Village of Marion. Each unit contributes to the fire department an amount that is based on their state equalized value, which is the equivalent of .4 mills. The fire department recognizes the funds received from the townships as aid from other governmental units.

(10) VILLAGE OF MARION DOWNTOWN DEVELOPMENT AUTHORITY

On December 20, 1990 the Village Council adopted Ordinance Number 46 to establish a Downtown Development Authority in the Village of Marion. The ordinance provides for establishment of a board of directors for the Authority, defines the boundaries of the downtown district, provides for levy and collection of a downtown development tax, and provides for all other matters necessary and related thereto. The Downtown Development Authority was established to halt property value deterioration and increase property tax valuation where possible in the business district of the Village, to eliminate the cause of that deterioration, and to promote economic growth. The authority is a separate taxing district established by State law. The Village is not responsible for funding its deficits, and is not entitled to any surpluses of the Authority.

(11) RISK MANAGEMENT

The Village has insurance to deal with potential liabilities through the Michigan Municipal Liability and Property Pool. The liability limit for general, law enforcement, public officials, automobile and combined policy is \$2,000,000 and Employee Benefit Liability coverage is \$1,000,000.

(12) WATER SYSTEM BOND PROPOSAL

On March 4, 2002, as a result of voter approval on November 6, 2001, the Village Council passed a resolution to borrow a principal sum not to exceed \$1,800,000 and issue general obligation unlimited tax bonds to pay all or part of the cost of water system and related improvements. The project qualified for the State of Michigan Drinking Water Revolving Fund financing program administered by the Michigan Department of Environmental Quality and the Michigan Municipal Bond Authority. The bonds will be payable over a 30 year period at a fixed interest rate of 2.5%. The Village allocated 6 mills of their tax levy to fund repayment of the debt principal and interest. At February 29, 2004 the project was in progress and \$1,791,810 had been borrowed against the \$1,800,000 to pay for costs incurred to date. The project will be completed within the next fiscal year.

(13) CAPITAL LEASE

On October 16, 2001 the Marion Community Fire Department acquired a 2001 International 4700 Cab and Chassis under the provisions of a long-term lease. For financial reporting purposes minimum lease payments relating to the asset have been capitalized. The property under capital lease has a cost of \$37,471.76 and is reflected as capital outlay of the Marion Community Fire Department for the year ended February 28, 2002.

-Continued-

VILLAGE OF MARION, MICHIGAN  
Notes To Financial Statements - Continued  
February 29, 2004

(13) CAPITAL LEASE-continued

The future minimum lease payments under capital lease and the net present value of the future minimum lease payments at February 29, 2004 are as follows:

Total Minimum Lease Payments	\$ 20,853
Amount Representing Interest	<u>1,460</u>
Present Value of Net Minimum Lease Payments	\$ 19,393
Current Portion	<u>7,475</u>
Long-Term Capital Lease Obligation	<u><u>\$ 11,918</u></u>

The annual minimum lease payments under the long-term capital lease existing at February 29, 2004 are:

February 28, 2005	8,341
February 28, 2006	8,341
February 28, 2007	<u>4,171</u>
	<u><u>\$ 20,853</u></u>

(14) Commercial Lease

On July 10, 2003 the Marion Downtown Development Authority (DDA) entered into an agreement with Jenkins Oil Co. whereby the DDA would lease real estate to be used as a commercial parking lot. The original term of the lease is for 20 years and will automatically renew for 10 successive 1 year terms unless the DDA gives written notice not to renew after the original 20 year period. Rent for the initial 20 year term is \$19,500 based on a cost estimate for demolition of the building located on the real estate. Rent for renewal periods is \$1.00 per year. The DDA is responsible for all expenses for maintaining of the property including real estate taxes, insurance, utilities, snow plowing and waste disposal. The DDA has an exclusive right to purchase the leased real estate when the lessor desires to sell the property as set forth in the agreement.

## STATEMENT A-1

VILLAGE OF MARION, MICHIGAN  
General Fund  
Comparative Balance Sheet  
February 29, 2004

	2004	2003
<b>ASSETS</b>		
Cash	\$ 24,810.53	\$ 61,187.31
Investments	227,640.46	173,217.07
Receivables		
Real Property Tax	21,510.74	18,347.84
Due From Other Funds		
Major Street Fund	3,677.25	-
Local Street Fund	6,578.99	-
2002 General Obligation Unlimited		
Tax Bonds Construction Fund	100.00	-
Due From Other Governments	20,022.00	22,027.00
<b>TOTAL ASSETS</b>	<b>\$ 304,339.97</b>	<b>\$ 274,779.22</b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 3,252.63	\$ 3,833.73
Due to Other Funds		
Industrial Complex Construction Fund	4,250.74	-
Retirement Withholdings	342.23	311.97
Other Withholdings	-	60.80
Accrued Taxes Payable		
Retirement	433.74	428.30
State Unemployment	21.25	77.85
<b>TOTAL LIABILITIES</b>	<b>\$ 8,300.59</b>	<b>\$ 4,712.65</b>
<b>FUND BALANCE</b>		
Unreserved	\$ 296,039.38	\$ 270,066.57
<b>TOTAL FUND BALANCE</b>	<b>\$ 296,039.38</b>	<b>\$ 270,066.57</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 304,339.97</b>	<b>\$ 274,779.22</b>

## VILLAGE OF MARION, MICHIGAN

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

## Budget and Actual

Year Ended February 29, 2004

With Comparative Actual Amounts For Year Ended February 28, 2003

	BUDGET	ACTUAL	
		2004	2003
<b>REVENUES</b>			
Taxes	\$ 129,200.00	\$ 130,011.87	\$ 127,124.97
State Grants	129,450.00	120,525.45	126,872.95
Charges For Services	33,350.00	32,496.45	36,345.86
Fines and Forfeits	-	11.88	64.68
Interest and Rentals	4,400.00	4,479.40	3,980.24
Other Revenues	90,000.00	88,892.10	109,279.68
<b>TOTAL REVENUES</b>	<b>\$ 386,400.00</b>	<b>\$ 376,417.15</b>	<b>\$ 403,668.38</b>
<b>EXPENDITURES</b>			
Legislative			
Village Council	\$ 20,100.00	\$ 22,762.72	\$ 19,415.59
General Government			
Village President	9,600.00	9,400.00	9,800.00
Elections	810.00	551.93	513.59
Independent Audit and Accounting	8,000.00	8,500.00	8,000.00
Attorney	4,000.00	3,233.90	2,170.90
Clerk's Office	30,527.00	27,628.72	26,731.11
Treasurer's Office	16,150.00	14,827.19	13,690.92
Building and Grounds	22,719.13	23,640.07	47,771.94
Public Safety			
Constable	52,509.00	48,879.79	38,193.53
Planning Commission	1,000.00	1,200.00	1,200.00
Public Works			
Stores and Garage	120,848.00	54,100.33	73,089.10
Highways, Streets and Bridges	35,165.00	14,305.77	12,887.47
Sanitation	1,800.00	861.40	1,549.64
Recreation and Cultural			
Recreation/Parks Department	19,455.00	24,687.20	16,597.09
Other Functions			
Fringe Benefits	48,241.00	41,813.19	16,891.40
Community Promotion	1,700.00	1,638.00	1,638.00
<b>TOTAL EXPENDITURES</b>	<b>\$ 392,624.13</b>	<b>\$ 298,030.21</b>	<b>\$ 290,140.28</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ (6,224.13)</b>	<b>\$ 78,386.94</b>	<b>\$ 113,528.10</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers From Other Funds	-	1,100.00	1,100.00
Operating Transfers To Other Funds	-	(21,945.00)	-
Operating Transfers From Component Units	-	-	15,000.00
Operating Transfers To Component Units	(27,835.00)	(31,569.13)	(27,296.79)
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ (34,059.13)</b>	<b>\$ 25,972.81</b>	<b>\$ 102,331.31</b>
<b>FUND BALANCE - Beginning of Year</b>	<b>270,066.57</b>	<b>270,066.57</b>	<b>167,735.26</b>
<b>FUND BALANCE - End of Year</b>	<b>\$ 236,007.44</b>	<b>\$ 296,039.38</b>	<b>\$ 270,066.57</b>

VILLAGE OF MARION, MICHIGAN  
 General Fund  
 Analysis of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 Year Ended February 29, 2004  
 With Comparative Actual Amounts For Year Ended February 28, 2003

	BUDGET	ACTUAL	
		2004	2003
<b>REVENUES</b>			
Taxes			
Current Tax Levy	\$ 126,900.00	\$ 127,430.27	\$ 122,602.30
Sidewalk Tax Levy	-	-	737.49
Penalties and Interest	500.00	614.82	291.16
Tax Collection Fees	1,800.00	1,966.78	3,494.02
<b>TOTAL TAXES</b>	<b>\$ 129,200.00</b>	<b>\$ 130,011.87</b>	<b>\$ 127,124.97</b>
State Grants			
State Shared Revenues			
Sales and Use Tax	\$ 128,000.00	\$ 119,019.00	\$ 125,399.50
Ordinance Fees	50.00	-	-
Liquor License	1,400.00	1,506.45	1,473.45
<b>TOTAL STATE GRANTS</b>	<b>\$ 129,450.00</b>	<b>\$ 120,525.45</b>	<b>\$ 126,872.95</b>
Charges For Services			
Copy Fees	\$ -	\$ 11.20	\$ 27.70
Administration Fees	24,850.00	23,250.25	26,200.16
Park and Camping Fees	8,500.00	9,066.00	9,859.00
Zoning Fees	-	175.00	160.00
Dog Licenses	-	(6.00)	99.00
<b>TOTAL CHARGES FOR SERVICES</b>	<b>\$ 33,350.00</b>	<b>\$ 32,496.45</b>	<b>\$ 36,345.86</b>
Fines and Forfeits			
Ordinance Fees	\$ -	\$ 11.88	\$ 64.68
Interest and Rentals			
Interest	\$ 2,000.00	\$ 1,428.91	\$ 1,434.76
Property Lease	600.00	1,327.90	600.00
Cable Franchise Fees	1,800.00	1,722.59	1,945.48
<b>TOTAL INTEREST AND RENTS</b>	<b>\$ 4,400.00</b>	<b>\$ 4,479.40</b>	<b>\$ 3,980.24</b>

- Continued -



## VILLAGE OF MARION, MICHIGAN

## General Fund

## Analysis of Revenues, Expenditures and Changes in Fund Balance - Continued

## Budget and Actual

Year Ended February 29, 2004

With Comparative Actual Amounts For Year Ended February 28, 2003

	BUDGET	ACTUAL	
		2004	2003
<b>REVENUES - Continued</b>			
Other Revenue			
Equipment Rental	\$ 44,500.00	\$ 55,463.10	\$ 39,290.85
Sale of Lots	-	30,000.00	-
Sale of Trees	-	3,000.00	-
Sale of Other Fixed Assets	-	429.00	7,110.00
Refunds and Rebates	-	-	176.33
Salary Reimbursements	45,500.00	-	-
Refund of Prior Year Water Project Cost	-	-	62,411.50
Miscellaneous	-	-	291.00
<b>TOTAL OTHER REVENUES</b>	<b>\$ 90,000.00</b>	<b>\$ 88,892.10</b>	<b>\$ 109,279.68</b>
<b>TOTAL REVENUES</b>	<b>\$ 386,400.00</b>	<b>\$ 376,417.15</b>	<b>\$ 403,668.38</b>
<b>EXPENDITURES</b>			
Legislative			
Village Council			
Salaries and Wages	\$ 8,400.00	\$ 6,500.00	\$ 6,700.00
Memberships and Dues	1,000.00	1,133.00	1,040.00
Transportation	100.00	28.90	28.90
Liability Insurance	6,600.00	12,023.78	5,865.42
Printing and Publishing	4,000.00	2,977.04	5,243.20
Miscellaneous	-	100.00	538.07
<b>TOTAL LEGISLATIVE</b>	<b>\$ 20,100.00</b>	<b>\$ 22,762.72</b>	<b>\$ 19,415.59</b>
General Government			
Village President			
Salaries and Wages	\$ 3,500.00	\$ 3,400.00	\$ 3,900.00
Projects Director	6,000.00	6,000.00	5,900.00
Transportation	100.00	-	-
	<b>\$ 9,600.00</b>	<b>\$ 9,400.00</b>	<b>\$ 9,800.00</b>
Elections			
Salaries and Wages	\$ 360.00	\$ -	\$ 360.00
Office Supplies	150.00	551.93	42.59
Printing and Publishing	300.00	-	111.00
	<b>\$ 810.00</b>	<b>\$ 551.93</b>	<b>\$ 513.59</b>
Independent Audit and Accounting	\$ 8,000.00	\$ 8,500.00	\$ 8,000.00
Attorney	\$ 4,000.00	\$ 3,233.90	\$ 2,170.90

- Continued -

VILLAGE OF MARION, MICHIGAN  
 General Fund  
 Analysis of Revenues, Expenditures and Changes in Fund Balance - Continued  
 Budget and Actual  
 Year Ended February 29, 2004  
 With Comparative Actual Amounts For Year Ended February 28, 2003

	BUDGET	ACTUAL	
		2004	2003
<b>EXPENDITURES - Continued</b>			
<b>General Government - Continued</b>			
Clerk's Office			
Salaries and Wages	\$ 26,777.00	\$ 24,318.32	\$ 23,882.19
Office Supplies	2,500.00	2,107.50	2,281.42
Insurance and Bonds	250.00	-	230.00
Computer Services	500.00	1,202.90	337.50
Capital Outlay	500.00	-	-
	<u>\$ 30,527.00</u>	<u>\$ 27,628.72</u>	<u>\$ 26,731.11</u>
Treasurer's Office			
Salaries and Wages	\$ 12,400.00	\$ 12,302.14	\$ 10,786.33
Office Supplies	2,500.00	2,083.30	2,207.54
Transportation	-	-	23.80
Contractual Services	500.00	441.75	443.25
Insurance and Bonds	250.00	-	230.00
Capital Outlay	500.00	-	-
	<u>\$ 16,150.00</u>	<u>\$ 14,827.19</u>	<u>\$ 13,690.92</u>
Building and Grounds			
Salaries and Wages	\$ 2,900.00	\$ 2,979.27	\$ 2,970.32
Operating Supplies	-	461.21	19.87
Communications	3,500.00	4,598.98	3,668.74
Insurance	2,800.00	732.00	2,333.50
Utilities	5,000.00	6,608.62	6,460.95
Repair and Maintenance	7,269.13	4,658.65	5,130.09
Capital Outlay - Property Acquisition	-	-	20,000.00
Capital Outlay - Buildings	-	3,601.34	-
Capital Outlay - Equipment	-	-	599.97
Capital Outlay-Land Improvements	-	-	6,588.50
Primary Sidewalk Construction	1,250.00	-	-
	<u>\$ 22,719.13</u>	<u>\$ 23,640.07</u>	<u>\$ 47,771.94</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>\$ 91,806.13</u>	<u>\$ 87,781.81</u>	<u>\$ 108,678.46</u>

- Continued -

## VILLAGE OF MARION, MICHIGAN

## General Fund

## Analysis of Revenues, Expenditures and Changes in Fund Balance - Continued

## Budget and Actual

Year Ended February 29, 2004

With Comparative Actual Amounts For Year Ended February 28, 2003

	BUDGET	ACTUAL	
		2004	2003
<b>EXPENDITURES - Continued</b>			
Public Safety			
Constable			
Salaries and Wages	\$ 38,594.00	\$ 39,087.30	\$ 29,138.10
Insurance Reimbursement	\$ -	\$ 646.76	\$ -
Office Supplies	1,000.00	444.83	789.19
Repair and Maintenance	1,000.00	498.60	1,037.80
Operating Supplies	2,000.00	1,463.67	2,109.72
Vehicle Expense	3,665.00	2,303.16	1,537.09
Dues	150.00	100.00	-
Insurance	3,300.00	2,633.40	2,741.00
Education and Training	800.00	157.30	455.62
Capital Outlay	2,000.00	1,544.77	385.01
TOTAL PUBLIC SAFETY	\$ 52,509.00	\$ 48,879.79	\$ 38,193.53
Planning Commission			
Salaries and Wages	\$ 1,000.00	\$ 1,200.00	\$ 1,200.00
Public Works			
Stores and Garage			
Salaries and Wages	\$ 85,664.00	\$ 27,970.39	\$ 20,939.17
Operating Supplies	8,000.00	6,268.37	7,870.49
Gas and Oil	5,000.00	3,972.38	3,725.54
Insurance	2,550.00	2,738.60	2,188.00
Repair and Maintenance	8,000.00	6,646.16	7,848.01
Education and Training	300.00	-	-
Uniform Rental	-	950.04	161.60
Capital Outlay - Equipment	8,834.00	5,554.39	30,356.29
Capital Outlay - Building	2,500.00	-	-
	\$ 120,848.00	\$ 54,100.33	\$ 73,089.10
Highways, Streets and Bridges			
Local Street Construction	\$ 20,165.00	\$ -	\$ -
Street Lighting	15,000.00	14,305.77	12,887.47
	\$ 35,165.00	\$ 14,305.77	\$ 12,887.47
Sanitation			
Salaries and Wages	\$ 1,000.00	\$ 861.40	\$ 575.23
Contractual Services	800.00	-	974.41
	\$ 1,800.00	\$ 861.40	\$ 1,549.64
TOTAL PUBLIC WORKS	\$ 157,813.00	\$ 69,267.50	\$ 87,526.21
- Continued -			

VILLAGE OF MARION, MICHIGAN  
 General Fund  
 Analysis of Revenues, Expenditures and Changes in Fund Balance - Continued  
 Budget and Actual  
 Year Ended February 29, 2004  
 With Comparative Actual Amounts For Year Ended February 28, 2003

	BUDGET	ACTUAL	
		2004	2003
<b>EXPENDITURES - Continued</b>			
Recreation and Culture			
Recreation/Parks Department			
Salaries and Wages	\$ 8,235.00	\$ 10,655.35	\$ 6,951.79
Operating Supplies	-	87.00	74.50
Contractal Services	-		318.11
Communications	480.00	666.97	630.46
Printing and Publishing	400.00	660.00	518.55
Utilities	3,500.00	3,646.90	3,967.87
Repair and Maintenance	3,530.00	1,529.98	1,212.81
Insurance	1,310.00	77.00	1,423.00
Capital Outlay	2,000.00	7,364.00	1,500.00
TOTAL RECREATION AND CULTURE	<u>\$ 19,455.00</u>	<u>\$ 24,687.20</u>	<u>\$ 16,597.09</u>
Other Functions			
Fringe Benefits			
Social Security and Medicare	\$ 10,813.00	\$ 13,536.95	\$ 4,228.49
Health and Life Insurance	28,000.00	16,871.33	3,059.17
Retirement	5,028.00	3,822.56	4,876.00
Unemployment	600.00	(128.85)	-
Workmen's Compensation	3,800.00	2,663.43	1,720.20
Prescription Reimbursements	-	3,502.89	2,846.54
Employee Physicals	-	-	161.00
Other Miscellaneous	-	1544.88	-
	<u>\$ 48,241.00</u>	<u>\$ 41,813.19</u>	<u>\$ 16,891.40</u>
Community Promotion			
Christmas Decorations	<u>\$ 1,700.00</u>	<u>\$ 1,638.00</u>	<u>\$ 1,638.00</u>
TOTAL OTHER FUNCTIONS	<u>\$ 49,941.00</u>	<u>\$ 43,451.19</u>	<u>\$ 18,529.40</u>

- Continued -

## STATEMENT A-3

## VILLAGE OF MARION, MICHIGAN

## General Fund

## Analysis of Revenues, Expenditures and Changes in Fund Balance - Continued

## Budget and Actual

Year Ended February 29, 2004

With Comparative Actual Amounts For Year Ended February 28, 2003

	BUDGET	ACTUAL	
		2004	2003
<u>EXPENDITURES</u> - Continued			
TOTAL EXPENDITURES	\$ 392,624.13	\$ 298,030.21	\$ 290,140.28
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (6,224.13)	\$ 78,386.94	\$ 113,528.10
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers From Other Funds	-	1,100.00	16,100.00
Operating Transfers To Other Fund	-	(21,945.00)	-
Operating Transfers To Component Units	27,835.00	(31,569.13)	(27,296.79)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	\$ (34,059.13)	\$ 25,972.81	\$ 102,331.31
<u>FUND BALANCE</u> - Beginning of Year	270,066.57	270,066.57	167,735.26
<u>FUND BALANCE</u> - End of Year	\$ 236,007.44	\$ 296,039.38	\$ 270,066.57

VILLAGE OF MARION, MICHIGAN  
Special Revenue Funds  
Combining Balance Sheet  
February 29, 2004  
With Comparative Totals For February 28, 2003

	MAJOR STREET	LOCAL STREET	TOTAL	
			2004	2003
<u>ASSETS</u>				
Cash	\$ 10,814.04	\$ 5,782.72	\$ 16,596.76	\$ 20,647.60
Investments	44,660.85	2,357.52	47,018.37	68,690.05
Due From Other Governments	8,911.76	4,273.28	13,185.04	12,692.80
Due From Other Funds	0.00	71.51	71.51	83.08
TOTAL ASSETS	<u>\$ 64,386.65</u>	<u>\$ 12,485.03</u>	<u>\$ 76,871.68</u>	<u>\$ 102,113.53</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Due to Other Funds	\$ 3,748.76	\$ 6,578.99	\$ 10,327.75	\$ 83.08
TOTAL LIABILITIES	<u>\$ 3,748.76</u>	<u>\$ 6,578.99</u>	<u>\$ 10,327.75</u>	<u>\$ 83.08</u>
<u>FUND BALANCE</u>				
Unreserved	<u>\$ 60,637.89</u>	<u>\$ 5,906.04</u>	<u>\$ 66,543.93</u>	<u>\$ 102,030.45</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 64,386.65</u>	<u>\$ 12,485.03</u>	<u>\$ 76,871.68</u>	<u>\$ 102,113.53</u>

VILLAGE OF MARION, MICHIGAN  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes In Fund Balances  
Year Ended February 29, 2004  
With Comparative Actual Amounts For Year Ended February 28, 2003

	MAJOR STREET	LOCAL STREET	TOTAL	
			2004	2003
<b>REVENUES</b>				
State Grants	\$ 64,259.13	\$ 22,869.22	\$ 87,128.35	\$ 83,739.92
Interests and Miscellaneous	379.16	79.80	458.96	783.60
<b>TOTAL REVENUES</b>	<b>\$ 64,638.29</b>	<b>\$ 22,949.02</b>	<b>\$ 87,587.31</b>	<b>\$ 84,523.52</b>
<b>EXPENDITURES</b>				
Public Works	\$ 60,878.27	\$ 95,669.56	\$ 156,547.83	\$ 57,566.55
<b>TOTAL EXPENDITURES</b>	<b>\$ 60,878.27</b>	<b>\$ 95,669.56</b>	<b>\$ 156,547.83</b>	<b>\$ 57,566.55</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 3,760.02</b>	<b>\$ (72,720.54)</b>	<b>\$ (68,960.52)</b>	<b>\$ 26,956.97</b>
<b>OTHER FINANCING SOURCES USES</b>				
Operating Transfers From Other Funds	\$ -	\$ 38,009.78	\$ 38,009.78	\$ 15,579.62
Operating Transfers To Other Funds	(16,264.78)	(200.00)	(16,464.78)	(15,979.62)
Operating Transfers From Component Units	11,929.00	0	11,929.00	0
<b>NET OPERATING TRANSFERS</b>	<b>\$ (4,335.78)</b>	<b>\$ 37,809.78</b>	<b>\$ 33,474.00</b>	<b>\$ (400.00)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)</b>	<b>\$ (575.76)</b>	<b>\$ (34,910.76)</b>	<b>\$ (35,486.52)</b>	<b>\$ 26,556.97</b>
<b>FUND BALANCE - Beginning of Year</b>	<b>61,213.65</b>	<b>40,816.80</b>	<b>102,030.45</b>	<b>75,473.48</b>
<b>FUND BALANCE - End of Year</b>	<b>\$ 60,637.89</b>	<b>\$ 5,906.04</b>	<b>\$ 66,543.93</b>	<b>\$ 102,030.45</b>

## STATEMENT B-3

VILLAGE OF MARION, MICHIGAN  
Major Street Fund  
Comparative Balance Sheet  
February 29, 2004

	2004	2003
<b>ASSETS</b>		
Cash	\$ 10,814.04	\$ 2,389.38
Investments	44,660.85	50,281.69
Due From Other Governments		
State Revenue Sharing - Act 51	8,911.76	8,625.66
<b>TOTAL ASSETS</b>	<b>\$ 64,386.65</b>	<b>\$ 61,296.73</b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Due to Other Funds		
General Fund	\$ 3,677.25	\$ -
Local Street Fund	71.51	83.08
<b>TOTAL LIABILITIES</b>	<b>\$ 3,748.76</b>	<b>\$ 83.08</b>
<b>FUND BALANCE</b>		
Unreserved	60,637.89	61,213.65
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 64,386.65</b>	<b>\$ 61,296.73</b>



VILLAGE OF MARION, MICHIGAN  
Major Street Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Year Ended February 29, 2004  
With Comparative Actual Amounts For Year Ended February 28, 2003

	BUDGET	ACTUAL	
		2004	2003
<b>REVENUES</b>			
State Grants			
State Revenue Sharing - Act 51	\$ 63,828.00	\$ 64,259.13	\$ 62,318.48
Interest and Miscellaneous			
Interest	200.00	379.16	663.15
<b>TOTAL REVENUES</b>	<b>\$ 64,028.00</b>	<b>\$ 64,638.29</b>	<b>\$ 62,981.63</b>
<b>EXPENDITURES</b>			
Public Works			
Routine Maintenance			
Construction	\$ 40,000.00	\$ 11,929.00	\$ -
Salaries and Wages	16,000.00	11,655.42	3,570.83
Repair and Maintenance	7,000.00	3,704.16	5,877.25
Equipment Rentals	16,000.00	14,622.41	4,455.37
Leave and Benefits	-	2,063.73	1,414.48
Winter Maintenance			
Salaries and Wages	5,000.00	3,099.48	2,619.93
Equipment Rentals	5,000.00	5,562.25	4,867.89
Leave and Benefits	-	1,841.68	1,574.19
Administration Fees	5,000.00	5,000.14	5,000.04
Independent Audit and Accounting	1,400.00	1,400.00	1,350.00
Insurance	250.00	-	187.50
<b>TOTAL EXPENDITURES</b>	<b>\$ 95,650.00</b>	<b>\$ 60,878.27</b>	<b>\$ 30,917.48</b>

- Continued -

VILLAGE OF MARION, MICHIGAN  
Major Street Fund  
Statement of Revenues, Expenditures and Changes In Fund Balance - Continued  
Budget and Actual  
Year Ended February 29, 2004  
With Comparative Actual Amounts For Year Ended February 28, 2003

	BUDGET	ACTUAL	
		2004	2003
<b>EXPENDITURES</b> - Continued			
Excess (Deficiency) of Revenues over Expenditures	\$ (31,622.00)	\$ 3,760.02	\$ 32,064.15
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers From Other Funds	\$ -	\$ 11,929.00	
Operating Transfers To Other Funds	\$ (16,157.00)	\$ (16,264.78)	\$ (15,779.62)
	\$ (16,157.00)	\$ (4,335.78)	\$ (15,779.62)
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ (47,779.00)	\$ (575.76)	\$ 16,284.53
<b>FUND BALANCE</b> - Beginning of Year	61,213.65	61,213.65	44,929.12
<b>FUND BALANCE</b> - End of Year	\$ 13,434.65	\$ 60,637.89	\$ 61,213.65

## STATEMENT B-5

VILLAGE OF MARION, MICHIGAN  
 Local Street Fund  
 Comparative Balance Sheet  
 February 29, 2004

	2004	2003
<b><u>ASSETS</u></b>		
Cash	\$ 5,782.72	\$ 18,258.22
Investments	2,357.52	18,408.36
Due From Other Governments		
State Revenue Sharing - Act 51	4,273.28	4,067.14
Due From Other Funds		
Major Street Fund	71.51	83.08
<b>TOTAL ASSETS</b>	<b>\$ 12,485.03</b>	<b>\$ 40,816.80</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>		
<b><u>LIABILITIES</u></b>		
Due to Other Funds		
General Funds	6,578.99	-
<b>TOTAL LIABILITIES</b>	<b>\$ 6,578.99</b>	<b>\$ -</b>
<b><u>FUND BALANCE</u></b>		
Unreserved	5,906.04	40,816.80
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 12,485.03</b>	<b>\$ 40,816.80</b>

VILLAGE OF MARION, MICHIGAN  
Local Street Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Year Ended February 29, 2004  
With Comparative Actual Amounts For Year Ended February 29, 2003

	BUDGET	ACTUAL	
		2004	2003
<b>REVENUES</b>			
State Grants			
State Revenue Sharing - Act 51	\$ 22,310.00	\$ 22,869.22	\$ 21,421.44
Interest and Miscellaneous			
Interest	100.00	79.80	120.45
<b>TOTAL REVENUES</b>	<b>\$ 22,410.00</b>	<b>\$ 22,949.02</b>	<b>\$ 21,541.89</b>
<b>EXPENDITURES</b>			
Public Works			
Routine Maintenance			
Construction	\$ 40,000.00	\$ 51,466.00	\$ -
Salaries and Wages	5,000.00	8,233.83	2,078.44
Repair and Maintenance	15,000.00	2,202.52	2,811.64
Equipment Rentals	5,000.00	14,287.23	4,867.09
Leave and Benefits	-	4,044.32	2,038.35
Winter Maintenance			
Salaries and Wages	3,000.00	3,267.31	2,334.01
Equipment Rentals	2,000.00	8,123.29	6,187.07
Leave and Benefits	-	1,805.36	2,615.93
Administration Fees	2,000.00	750.00	2,000.04
Independent Audit and Accounting	1,400.00	1,400.00	1,350.00
Office Supplies	-	89.70	12.00
Insurance	250.00	-	354.50
<b>TOTAL EXPENDITURES</b>	<b>\$ 73,650.00</b>	<b>\$ 95,669.56</b>	<b>\$ 26,649.07</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (51,240.00)	\$ (72,720.54)	\$ (5,107.18)
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers From Other Funds	35,957.00	38,009.78	15,579.62
Operating Transfers To Other Funds	(200.00)	(200.00)	(200.00)
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ (15,483.00)	\$ (34,910.76)	\$ 10,272.44
<b>FUND BALANCE - Beginning of Year</b>	<b>40,816.80</b>	<b>40,816.80</b>	<b>30,544.36</b>
<b>FUND BALANCE - End of Year</b>	<b>25,333.80</b>	<b>\$ 5,906.04</b>	<b>\$ 40,816.80</b>

VILLAGE OF MARION, MICHIGAN  
 2002 General Obligation Unlimited Tax Bonds Debt Retirement Fund  
 Comparative Balance Sheet  
 February 29, 2004  
 With Comparative Totals For February 28, 2003

<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
Cash	\$ 20,065.53	\$ 25,152.93
Investments	60,032.88	-
<b>TOTAL ASSETS</b>	<b><u>\$ 80,098.41</u></b>	<b><u>\$ 25,152.93</u></b>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	-	\$ -
<b>TOTAL LIABILITIES</b>		-
<u>FUND BALANCE</u>		
Reserved for Debt Service	<u>\$ 80,098.41</u>	<u>\$ 25,152.93</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 80,098.41</u></b>	<b><u>\$ 25,152.93</u></b>

VILLAGE OF MARION, MICHIGAN  
 2002 General Obligation Unlimited Tax Bonds Debt Retirement Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 Year Ended February 29, 2004  
 With Comparative Actual Amounts For The Year Ended February 28, 2003

	BUDGET	Actual	
		2004	2003
<b>REVENUES</b>			
Taxes			
Current Property Taxes	\$ 57,000.00	\$ 59,364.41	\$ -
Assesments in Lieu of Property Taxes	-	2,549.76	-
Single Business Tax	-	3,711.00	-
School Payment	5,500.00	-	-
Interest and Rents			
Interest - Marion Public Schools	-	528.08	-
Interest - Other	-	32.88	-
<b>TOTAL REVENUE</b>	<b>\$ 62,500.00</b>	<b>\$ 66,186.13</b>	<b>\$ -</b>
<b>EXPENDITURES</b>			
Debit Service			
Interest	\$ 35,000.00	\$ 21,002.75	\$ -
Printing and Publishing	-	185.90	-
Office Supplies	-	52.00	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 35,000.00</b>	<b>\$ 21,240.65</b>	<b>\$ -</b>
Excess ( Deficiency) of Revenue Over Expenditures	\$ 27,500.00	\$ 44,945.48	\$ -
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers From Other Funds			
Sewage Disposal Debt			
Service Fund	-	-	25,152.93
Operating Transfers From Component Units			
Downtown Development Authority	5,000.00	10,000.00	-
Excess (Deficiency) of Revenue Over Expenditures And Sources (Uses)	\$ 32,500.00	\$ 54,945.48	\$ 25,152.93
<b>FUND BALANCE -Beginning of Year</b>	<b>25,152.93</b>	<b>25,152.93</b>	<b>-</b>
<b>FUND BALANCE -End of Year</b>	<b>\$ 57,652.93</b>	<b>\$ 80,098.41</b>	<b>\$ 25,152.93</b>

VILLAGE OF MARION, MICHIGAN  
 Capital Project Funds  
 Combining Balance Sheet  
 February 29, 2004  
 With Comparative Totals For February 28, 2003

	INDUSTRIAL COMPLEX CONSTRUCTION	WATER SYSTEM IMPROVEMENTS	TOTAL	
			2004	2003
<b>ASSETS</b>				
Cash	\$ 593.10	\$ 3,305.13	\$ 3,898.23	\$ 2,568.99
Investments	3,495.15	-	3,495.15	9,555.71
Due From Other Funds				
General Fund	4,250.74	-	4,250.74	
<b>TOTAL ASSETS</b>	<b>\$ 8,338.99</b>	<b>\$ 3,305.13</b>	<b>\$ 11,644.12</b>	<b>\$ 12,124.70</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Due To Other Funds				
General Fund	\$ -	\$ 100.00	\$ 100.00	\$ -
Water Supply System	-	2,649.93	2,649.93	-
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 2,749.93</b>	<b>\$ 2,749.93</b>	<b>\$ -</b>
<b>FUND BALANCE</b>	<b>8,338.99</b>	<b>555.20</b>	<b>8,894.19</b>	<b>12,124.70</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 8,338.99</b>	<b>\$ 3,305.13</b>	<b>\$ 11,644.12</b>	<b>\$ 12,124.70</b>

## STATEMENT D-2

Village of Marion, Michigan  
 Capital Projects Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
 Year Ended February 29, 2004  
 With Comparative Totals For February 28, 2003

	INDUSTRIAL COMPLEX CONSTRUCTION	WATER SUPPLY IMPROVEMENTS	TOTAL	
			2004	2003
<b>REVENUES</b>				
Lot Sales	\$ 1,000.00	\$ -	\$ 1,000.00	\$ 1,000.00
Interest	182.42	0.18	182.60	145.71
<b>TOTAL REVENUES</b>	<b>\$ 1,182.42</b>	<b>\$ 0.18</b>	<b>\$ 1,182.60</b>	<b>\$ 1,145.71</b>
<b>EXPENDITURES</b>				
Capital Outlay - Lot Purchases	\$ 4,477.34	\$ -	\$ 4,477.34	\$ -
Capital Outlay- Water Supply System Improvement	-	912,823.77	912,823.77	878,431.45
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,477.34</b>	<b>\$ 912,823.77</b>	<b>\$ 917,301.11</b>	<b>\$ 878,431.45</b>
Excess(Deficiency) of Revenues over Expenditures	\$ (3,294.92)	\$ (912,823.59)	\$ (916,118.51)	\$ (877,285.74)
<b>OTHER FINANCING SOURCES(USES)</b>				
Bond Proceeds	-	(912,888.00)	912,888.00	878,922.00
Operating Transfers to Other Funds	-	-	-	-
Excess(Deficiency) of Revenue Over Expenditures and Other Sources (Uses)	\$ (3,294.92)	\$ 64.41	\$ (3,230.51)	\$ 1,636.26
FUND BALANCE - Beginning of Year	11,633.91	490.79	12,124.70	10,488.44
FUND BALANCE -End of Year	<u>\$ 8,338.99</u>	<u>\$ 555.20</u>	<u>\$ 8,894.19</u>	<u>\$ 12,124.70</u>



VILLAGE OF MARION, MICHIGAN  
Industrial Complex Construction Fund  
Comparative Balance Sheet  
February 29, 2004  
With Comparative Totals For February 28, 2003

	2004	2003
<u>ASSETS</u>		
Cash	\$ 593.10	\$ 2,128.44
Investments	3,495.15	9,505.47
Due From Other Funds		
General Fund	\$ 4,250.74	\$ -
TOTAL ASSETS	<u>\$ 8,338.99</u>	<u>\$ 11,633.91</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	<u>\$ -</u>	<u>\$ -</u>
<u>FUND BALANCE</u>	<u>\$ 8,338.99</u>	<u>\$ 11,633.91</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 8,338.99</u>	<u>\$ 11,633.91</u>

VILLAGE OF MARION, MICHIGAN  
Industrial Complex Construction Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Year Ended February 29, 2004  
With Comparative Actual Amounts for Year Ended February 28, 2003

	BUDGET	ACTUAL	
		2004	2003
<b><u>REVENUES</u></b>			
Lots Sales	\$ 2,000.00	\$ 1,000.00	\$ 1,000.00
Interest	290.00	182.42	145.47
<b>TOTAL REVENUES</b>	<b>\$ 2,290.00</b>	<b>\$ 1,182.42</b>	<b>\$ 1,145.47</b>
<b><u>EXPENDITURES</u></b>			
Salaries and Wages	\$ 2,500.00	\$ -	\$ -
Equipment Rentals	2,500.00	-	-
Capital Outlay - Lot Purchases	-	4,477.34	-
Capital Expense	250.00	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 5,250.00</b>	<b>\$ 4,477.34</b>	<b>\$ -</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,960.00)	\$ (3,294.92)	\$ 1,145.47
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Operating Transfers To Other Funds	-	-	-
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ (2,960.00)	\$ (3,294.92)	\$ 1,145.47
<b><u>FUND BALANCE</u> - Beginning of Year</b>	<b>11,633.91</b>	<b>11,633.91</b>	<b>10,488.44</b>
<b><u>FUND BALANCE</u> - End of Year</b>	<b>\$ 8,673.91</b>	<b>\$ 8,338.99</b>	<b>\$ 11,633.91</b>

VILLAGE OF MARION, MICHIGAN  
 2002 General Obligation Unlimited Tax Bonds Construction Fund  
 Comparative Balance Sheet  
 February 29, 2004  
 With Comparative totals for February 28, 2003

	2004	2003
<u>ASSETS</u>		
Cash	\$ 3,305.13	\$ 440.55
Investments	-	50.24
TOTAL ASSETS	<u>\$ 3,305.13</u>	<u>\$ 490.79</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due To General Fund	\$ 100.00	\$ -
Due To Water supply System	<u>2,649.93</u>	<u>-</u>
TOTAL LIABILITIES	2,749.93	-
<u>FUND BALANCE</u>	<u>555.20</u>	<u>490.79</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,305.13</u>	<u>\$ 490.79</u>

## STATEMENT D-6

VILLAGE OF MARION, MICHIGAN  
 2002 General Obligation Unlimited Tax Bonds Construction Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 Year Ended February 29, 2004  
 With Comparative Actual Amounts For Years Ended February 28, 2003

	Budget	Actual	
		2004	2003
<b>REVENUES</b>			
Interest	\$ -	\$ 0.18	\$ 0.24
<b>EXPENDITURES</b>			
Capital Outlay- Water Supply System Improvements	935,565.00	912,823.77	\$ 878,431.45
Excess (Deficiency) of Revenue Over Expenditures	\$ (935,565.00)	\$ (912,823.59)	\$ (878,431.21)
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond Proceeds	935,565.00	912,888.00	878,922.00
Excess (Deficiency) of Revenue Over Expenditures And Other Sources (Uses)	\$ -	\$ 64.41	\$ 490.79
<b>FUND BALANCE -Beginning of Year</b>	490.79	490.79	-
<b>FUND BALANCE -End of Year</b>	<u>\$ 490.79</u>	<u>\$ 555.20</u>	<u>\$ 490.79</u>

VILLAGE OF MARION, MICHIGAN  
Enterprise Funds  
Combining Balance Sheet  
February 29, 2004  
With Comparative Totals For February 28, 2003

	WATER SUPPLY SYSTEM	SEWAGE DISPOSAL SYSTEM	TOTAL	
			2004	2003
<b>ASSETS</b>				
Current Assets				
Cash	\$ 9,094.81	\$ 11,953.10	\$ 21,047.91	\$ 41,306.55
Investments	34,197.46	103,039.94	137,237.40	113,529.32
Due From Other Funds	2,649.93	0.00	2,649.93	108.35
	<u>\$ 45,942.20</u>	<u>\$ 114,993.04</u>	<u>\$ 160,935.24</u>	<u>\$ 154,944.22</u>
Property, Plant and Equipment				
Land	\$ 12,150.00	\$ 20,137.99	\$ 32,287.99	\$ 32,287.99
Building	-	20,000.00	20,000.00	20,000.00
Machinery and Equipment	29,433.67	20,920.39	50,354.06	48,736.06
Water Systems	633,700.91	-	633,700.91	630,661.53
Sewer Systems	-	1,659,979.95	1,659,979.95	1,639,546.57
Accumulated Depreciation	(446,038.25)	(830,731.44)	(1,276,769.69)	(1,214,645.83)
	<u>\$ 229,246.33</u>	<u>\$ 890,306.89</u>	<u>\$ 1,119,553.22</u>	<u>\$ 1,156,586.32</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 275,188.53</u></u>	<u><u>\$ 1,005,299.93</u></u>	<u><u>\$ 1,280,488.46</u></u>	<u><u>\$ 1,311,530.54</u></u>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 784.30	\$ 150.03	\$ 934.33	\$ 2,359.97
Due to Other Funds	0.00	-	-	108.35
Customer Deposits Payable	150.00	-	150.00	150.00
	<u>\$ 934.30</u>	<u>\$ 150.03</u>	<u>\$ 1,084.33</u>	<u>\$ 2,618.32</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 934.30</u></u>	<u><u>\$ 150.03</u></u>	<u><u>\$ 1,084.33</u></u>	<u><u>\$ 2,618.32</u></u>
<b>FUND EQUITY</b>				
Contributed Capital	\$ 80,841.68	\$ 609,168.98	\$ 690,010.66	\$ 726,485.72
Retained Earnings	193,412.55	395,980.92	589,393.47	582,426.50
	<u>\$ 274,254.23</u>	<u>\$ 1,005,149.90</u>	<u>\$ 1,279,404.13</u>	<u>\$ 1,308,912.22</u>
<b>TOTAL FUND EQUITY</b>	<u><u>\$ 274,254.23</u></u>	<u><u>\$ 1,005,149.90</u></u>	<u><u>\$ 1,279,404.13</u></u>	<u><u>\$ 1,308,912.22</u></u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><u>\$ 275,188.53</u></u>	<u><u>\$ 1,005,299.93</u></u>	<u><u>\$ 1,280,488.46</u></u>	<u><u>\$ 1,311,530.54</u></u>

## VILLAGE OF MARION, MICHIGAN

## Enterprise Funds

## Combining Statement of Revenues, Expenses and Changes In Retained Earnings

Year Ended February 29, 2004

With Comparative Totals For Year Ended February 28, 2003

	WATER SUPPLY SYSTEM	SEWAGE DISPOSAL SYSTEM	TOTAL	
			2004	2003
<b>OPERATING REVENUES</b>				
Charges For Services	\$ 113,917.46	\$ 47,955.65	\$ 161,873.11	\$ 165,221.03
Other	17,223.67	-	17,223.67	-
Total Operating Revenue	\$ 131,141.13	\$ 47,955.65	\$ 179,096.78	\$ 165,221.03
<b>OPERATING EXPENDITURES</b>				
Personal Services	\$ 24,662.99	\$ 5,187.88	\$ 29,850.87	\$ 27,551.10
Employee Benefits	11,465.17	2,827.68	14,292.85	22,594.78
Administrative Services	6,000.00	10,000.11	16,000.11	16,000.08
Contractual Services	31,982.75	2,100.00	34,082.75	33,364.74
Office Supplies and Expenses	1,234.28	1,289.61	2,523.89	1,483.89
Operating Supplies and Expenses	12,688.98	19,478.41	32,167.39	24,742.60
Heat, Light and Power	4,758.30	1,945.01	6,703.31	8,422.25
Depreciation	17,401.97	44,721.89	62,123.86	60,883.60
Rentals	8,731.73	4,136.19	12,867.92	18,913.43
TOTAL OPERATING EXPENDITURES	\$ 118,926.17	\$ 91,686.78	\$ 210,612.95	\$ 213,956.47
OPERATING INCOME (LOSS)	\$ 12,214.96	\$ (43,731.13)	\$ (31,516.17)	\$ (48,735.44)
<b>NON-OPERATING REVENUE (EXPENSES)</b>				
Interest and Refunds	56.40	651.68	708.08	625.03
Miscellaneous	-	2,000.00	2,000.00	5,877.81
Refund of Prior Year				
Water Project Cost	-	-	-	885.88
Operating Transfers From				
(To) Other Funds	(200.00)	(500.00)	(700.00)	(700.00)
NET INCOME (LOSS)	\$ 12,071.36	\$ (41,579.45)	\$ (29,508.09)	\$ (42,046.72)
Depreciation on Fixed Assets				
Acquired by Grants and Shared				
Revenues Externally Restricted				
For Capital Acquisition and				
Construction that Reduces				
Contributed Capital	6,581.17	29,893.89	36,475.06	36,475.06
Increase (Decrease) In	\$ 18,652.53	\$ (11,685.56)	\$ 6,966.97	\$ (5,571.66)
Retained Earnings				
<b>RETAINED EARNINGS -</b>				
Beginning of Year	174,760.02	407,666.48	582,426.50	587,998.16
<b>RETAINED EARNINGS -</b>				
End of Year	\$ 193,412.55	\$ 395,980.92	\$ 589,393.47	\$ 582,426.50

VILLAGE OF MARION, MICHIGAN  
Enterprise Funds  
Combining Statement of Cash Flows  
Year Ended February 29, 2004

With Comparative Totals For Year Ended February 28, 2003

WATER SUPPLY SYSTEM	SEWAGE DISPOSAL SYSTEM	TOTAL	TOTAL
		2004	2003

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received From Customers	\$ 113,917.46	\$ 47,955.65	\$ 161,873.11	\$ 165,221.03
Other Revenues	17,223.67	-	17,223.67	-
Cash Payments to Suppliers				
For Goods and Services	(65,266.96)	(28,578.80)	(93,845.76)	(91,226.58)
Cash Payments to Employees				
For Services	(24,662.99)	(5,187.88)	(29,850.87)	(27,551.10)
Cash Payments to Other Funds				
For Services	(14,731.73)	(14,136.30)	(28,868.03)	(34,913.51)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 26,479.45</b>	<b>\$ 52.67</b>	<b>\$ 26,532.12</b>	<b>\$ 11,529.84</b>

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

Operating Transfers From (to) Other Funds	\$ (200.00)	\$ (500.00)	\$ (700.00)	\$ (700.00)
Other Miscellaneous Revenues	0.00	2,000.00	2,000.00	6,763.69
<b>NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	<b>\$ (200.00)</b>	<b>\$ 1,500.00</b>	<b>\$ 1,300.00</b>	<b>\$ 6,063.69</b>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition of Capital Assets	\$ (4,657.38)	\$ (20,433.38)	\$ (25,090.76)	\$ (29,304.16)
Sale of Capital Assets	-	-	-	40,980.38
<b>NET CASH PROVIDED (USED) BY CAPITAL ACTIVITIES</b>	<b>\$ (4,657.38)</b>	<b>\$ (20,433.38)</b>	<b>\$ (25,090.76)</b>	<b>\$ 11,676.22</b>

**CASH FLOWS FORM INVESTING ACTIVITIES**

Interest on Cash and Investments	\$ 56.40	\$ 651.68	\$ 708.08	\$ 625.03
Increase (Decrease) in Cash and Cash Investments	\$ 21,678.47	\$ (18,229.03)	\$ 3,449.44	\$ 29,894.78
Cash and Cash Investments - Beginning of Year	21,613.80	133,222.07	154,835.87	124,941.09
Cash and Cash Investments - End of Year	<u>\$ 43,292.27</u>	<u>\$ 114,993.04</u>	<u>\$ 158,285.31</u>	<u>\$ 154,835.87</u>

- Continued -

VILLAGE OF MARION, MICHIGAN  
Enterprise Funds  
Combining Statement of Cash Flows - Continued  
Year Ended February 29, 2004  
With Comparative Totals For Year Ended February 28, 2003

	WATER SUPPLY SYSTEM	SEWAGE DISPOSAL SYSTEM	TOTAL	
			2004	2003
<b><u>RECONCILIATION OF INCOME FROM OPERATING TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>				
Income (Loss) From Operations	\$ 12,214.96	\$ (43,731.13)	\$ (31,516.17)	\$ (48,735.44)
Adjustments to Reconcile Income (Loss) From Operations To Net Cash Provided By Operating Activities:				
Depreciation	17,401.97	44,721.89	62,123.86	60,883.60
Changes in Assets And Liabilities:				
Decrease (Increase) in Due From Other Funds	-	108.35	108.35	15,481.69
Increase (Decrease) in Accounts Payable	(379.20)	(1,046.44)	(1,425.64)	(636.92)
Increase (Decrease) In Due To Other Funds	(2,758.28)	-	(2,758.28)	(15,463.09)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 26,479.45</u>	<u>\$ 52.67</u>	<u>\$ 26,532.12</u>	<u>\$ 11,529.84</u>



VILLAGE OF MARION, MICHIGAN  
Water Supply System  
Comparative Balance Sheet  
February 29, 2004

	2004	2003
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 9,094.81	\$ 6,472.74
Investments	34,197.46	15,141.06
Due From DWRP Construction Fund	2,649.93	-
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 45,942.20</b>	<b>\$ 21,613.80</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land	\$ 12,150.00	\$ 12,150.00
Machinery and Equipment	29,433.67	27,815.67
Water Systems		
Wells, Pumps and Pump House	166,414.68	166,414.68
Mains and Connections	286,541.76	286,541.76
Towers	126,874.72	126,874.72
Meters	53,869.75	50,830.37
Engineering Fees		
Accumulated Depreciation	(446,038.25)	(428,636.28)
Net Property, Plant and Equipment	\$ 229,246.33	\$ 241,990.92
<b>TOTAL ASSETS</b>	<b>\$ 275,188.53</b>	<b>\$ 263,604.72</b>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 784.30	\$ 1,163.50
Due to Other Funds		
Sewage Disposal System Fund	-	108.35
Customer Deposits Payable	150.00	150.00
<b>TOTAL LIABILITIES</b>	<b>\$ 934.30</b>	<b>\$ 1,421.85</b>
<b>FUND EQUITY</b>		
Contributed Capital		
General Fund	\$ 54,680.00	\$ 54,680.00
Federal Revenue Sharing Fund	224,197.86	224,197.86
	\$ 278,877.86	\$ 278,877.86
Less Accumulated Amortization	(198,036.18)	(191,455.01)
	\$ 80,841.68	\$ 87,422.85
Retained Earnings	193,412.55	174,760.02
<b>TOTAL FUND EQUITY</b>	<b>\$ 274,254.23</b>	<b>\$ 262,182.87</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 275,188.53</b>	<b>\$ 263,604.72</b>

VILLAGE OF MARION, MICHIGAN  
 Water Supply System  
 Statement of Revenues, Expenses and Changes in Retained Earnings  
 Budget and Actual  
 Year Ended February 29, 2004  
 With Comparative Actual Amounts For Year Ended February 28, 2003

	BUDGET	ACTUAL	
		2004	2003
<b>OPERATING REVENUES</b>			
Charges For Services			
Sales	\$ 90,000.00	\$ 79,655.19	\$ 82,673.88
Tap Fees and Installation	1,500.00	4,749.32	1,942.60
Refuse Collection	29,545.00	29,512.95	28,958.04
Sale of Fire Hydrants	-	1,500.00	-
Salary and Wage Reimbursements - DWRP Project	-	15,723.67	-
TOTAL OPERATING REVENUES	<u>\$ 121,045.00</u>	<u>\$ 131,141.13</u>	<u>\$ 113,574.52</u>
<b>OPERATING EXPENDITURES</b>			
Personal Services			
Salaries and Wages	\$ 12,000.00	\$ 24,662.99	\$ 17,779.82
Social Security and Medicare	-	1,886.83	1,761.25
Unemployment	-	289.45	226.28
Workmen's Compensation	-	566.56	478.89
Life and Health Insurance	-	7,760.03	13,147.39
Retirement	-	962.30	886.13
Supplies			
Office Supplies	1,000.00	1,234.28	1,294.73
Operating Supplies	-	2,691.73	361.77
Other Charges and Services			
Memberships and Dues	1,037.50	547.50	546.72
Independent Audit and Accounting	2,500.00	2,500.00	2,000.00
Administrative Fees	6,000.00	6,000.00	6,000.00
Insurance	2,850.00	659.00	2,370.00
Utilities	5,500.00	4,758.30	6,695.05
Repair and Maintenance	8,500.00	8,343.19	7,211.83
Equipment Rentals	12,000.00	8,731.73	7,769.56
Education and Training	-	203.36	166.27
Depreciation	-	17,401.97	17,251.75
Capital Outlay	5,000.00	-	-
Engineering Fees	1,000.00	-	-
Contractual Fees	29,545.00	29,482.75	29,364.74
Printing and Publishing	-	244.20	-
Miscellaneous	-	-	400.00
TOTAL OPERATING EXPENDITURES	<u>\$ 86,932.50</u>	<u>\$ 118,926.17</u>	<u>\$ 115,712.18</u>
OPERATING INCOME (LOSS)	<u>\$ 34,112.50</u>	<u>\$ 12,214.96</u>	<u>(2,137.66)</u>

- Continued -

VILLAGE OF MARION, MICHIGAN  
 Water Supply System  
 Statement of Revenues, Expenses and Changes in Retained Earnings - Continued  
 Budget and Actual  
 Year Ended February 29, 2004  
 With Comparative Actual Amounts For Year Ended February 28, 2003

	BUDGET	ACTUAL	
		2004	2003
<u>NON-OPERATING REVENUE (EXPENSES)</u>			
Interest	\$ 50.00	\$ 56.40	\$ 9.72
Miscellaneous	-	-	170.00
Refund of Prior Year			
Water Project Fund	-	-	885.88
Operating Transfers From (To) Other Funds			
General Fund - Planning Commission	(200.00)	(200.00)	(200.00)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ (150.00)	\$ (143.60)	\$ 865.60
NET INCOME (LOSS)	\$ 33,962.50	\$ 12,071.36	\$ (1,272.06)
Depreciation on Fixed Assets			
Acquired by Grants and Shared			
Revenues Externally Restricted			
For Capital Acquisition and			
Construction That Reduces			
Contributed Capital.	-	6,581.17	6,581.17
Increase (Decrease) In Retained Earnings	\$ 33,962.50	\$ 18,652.53	\$ 5,309.11
<u>RETAINED EARNINGS -</u>			
Beginning of Year	\$ 174,760.02	174,760.02	169,450.91
<u>RETAINED EARNINGS -</u>			
End of Year	\$ 208,722.52	\$ 193,412.55	\$ 174,760.02

STATEMENT E-6

VILLAGE OF MARION, MICHIGAN  
Water Supply System  
Comparative Statement Of Cash Flows  
Year Ended February 29, 2004

	<u>2004</u>	<u>2003</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Cash Received From Customers	\$ 113,917.46	\$ 113,574.52
Other Revenue	17,223.67	-
Cash Payments to Suppliers For Goods and Services	(65,266.96)	(81,640.13)
Cash Payments to Employees For Services	(24,662.99)	(17,779.82)
Cash Payments to Other Funds For Services	(14,731.73)	(13,769.56)
Net Cash Provided (Used) By Operating Activities	<u>\$ 26,479.45</u>	<u>\$ 385.01</u>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>		
Refund of Prior Year Water Project Costs	\$ -	\$ 885.88
Operating Transfers to Other Funds	(200.00)	(200.00)
Other Miscellaneous Revenues	-	170.00
Net Cash Flows From Non-Capital Financing Activities	<u>\$ (200.00)</u>	<u>\$ 855.88</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Disposition of Capital Assets	\$ -	\$ 20,980.38
Acquisition of Capital Assets	(4,657.38)	(7,480.55)
Net Cash Flows from Capital and Related Financing Activities	<u>\$ (4,657.38)</u>	<u>\$ 13,499.83</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest on Cash and Investments	\$ 56.40	\$ 9.72
Increase (Decrease) in Cash and Cash Investments	\$ 21,678.47	\$ 14,750.44
Cash and Cash Investments - Beginning of Year	21,613.80	6,863.36
Cash and Cash Investments - End of Year	<u>\$ 43,292.27</u>	<u>\$ 21,613.80</u>
<b><u>RECONCILIATION OF INCOME FORM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>		
Income From Operations	\$ 12,214.96	\$ (2,137.66)
Adjustments to Reconcile Income (Loss) From Operations To Net Cash Provided By Operating Activities:		
Depreciation	17,401.97	17,251.75
Changes in Assets And Liabilities:		
Increase (Decrease) in Accounts Payable	(379.20)	734.01
Increase (Decrease) in Due To Other Funds	<u>(2,758.28)</u>	<u>(15,463.09)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 26,479.45</u>	<u>\$ 385.01</u>

## STATEMENT E-7

VILLAGE OF MARION, MICHIGAN  
Sewage Disposal System  
Comparative Balance Sheet  
February 29, 2004

<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 11,953.10	\$ 34,833.81
Investments	103,039.94	98,388.26
Due From Other Funds		
Water Supply System	0.00	108.35
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 114,993.04</b>	<b>\$ 133,330.42</b>
<u>PROPERTY, PLANT AND EQUIPMENT</u>		
Land	\$ 20,137.99	\$ 20,137.99
Building	20,000.00	20,000.00
Machinery and Equipment	20,920.39	20,920.39
Sewer Systems		
Collection System	1,038,158.04	1,028,830.66
Lift Station	109,431.28	109,431.28
Treatment System	512,390.63	501,284.63
Accumulated Depreciation	(830,731.44)	(786,009.55)
Net Property, Plant and Equipment	<b>\$ 890,306.89</b>	<b>\$ 914,595.40</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,005,299.93</b>	<b>\$ 1,047,925.82</b>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 150.03	\$ 1,196.47
<b>TOTAL LIABILITIES</b>	<b>\$ 150.03</b>	<b>\$ 1,196.47</b>
<u>FUND EQUITY</u>		
Contributed Capital		
Other Governmental Units	\$ 688,735.00	\$ 688,735.00
General Fund	21,010.00	21,010.00
General Obligation - FHA Bonds	597,000.00	597,000.00
Less Accumulated Amortization	(697,576.02)	(667,682.13)
<b>TOTAL CONTRIBUTED CAPITAL</b>	<b>\$ 609,168.98</b>	<b>\$ 639,062.87</b>
Retained Earnings	395,980.92	407,666.48
<b>TOTAL FUND EQUITY</b>	<b>\$ 1,005,149.90</b>	<b>\$ 1,046,729.35</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 1,005,299.93</b>	<b>\$ 1,047,925.82</b>

VILLAGE OF MARION, MICHIGAN  
 Sewage Disposal System  
 Statement of Revenues, Expenses and Changes in Retained Earnings  
 Budget and Actual  
 Year Ended February 29, 2004  
 With Comparative Actual Amounts For Year Ended February 28, 2003

	BUDGET	ACTUAL	
		2004	2003
<b>OPERATING REVENUES</b>			
Charges For Services			
Sales	\$ 48,000.00	\$ 46,455.65	\$ 50,146.51
Tap Fees and Installation	1,000.00	1,000.00	1,500.00
Sale of Property	-	500.00	-
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 49,000.00</b>	<b>\$ 47,955.65</b>	<b>\$ 51,646.51</b>
<b>OPERATING EXPENDITURES</b>			
Collection and Treatment			
Personal Services			
Salaries and Wages	\$ 12,000.00	\$ 5,187.88	\$ 9,771.28
Employee Benefits			
Social Security and Medicare	-	396.94	747.56
Retirement Expense	-	207.99	380.10
Unemployment	-	96.13	38.93
Workmen's Compensation	-	113.19	224.76
Life and Health Insurance	-	2,013.43	4,703.49
Other Charges and Services			
Professional Services			
Audit and Accounting	2,100.00	2,100.00	2,000.00
Administrative Fees	10,000.00	10,000.11	10,000.08
Insurance	2,747.00	324.00	2,247.00
Utilities	1,500.00	1,945.01	1,727.20
Office Supplies	1,000.00	1,289.61	189.16
Operating Supplies	-	325.98	1,112.77
Repair and Maintenance	6,000.00	18,828.43	10,088.84
Contracted Services	-	-	-
Equipment Rentals	12,000.00	4,136.19	11,143.87
Education and Training	-	-	237.40
Memberships and Dues	-	-	-
Depreciation	-	44,721.89	43,631.85
Capital Outlay	10,000.00	-	-
<b>TOTAL OPERATING EXPENDITURES</b>	<b>\$ 57,347.00</b>	<b>\$ 91,686.78</b>	<b>\$ 98,244.29</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (8,347.00)</b>	<b>\$ (43,731.13)</b>	<b>\$ (46,597.78)</b>

- Continued -

VILLAGE OF MARION, MICHIGAN  
 Sewage Disposal System  
 Statement of Revenues, Expenses and Changes in Retained Earnings - Continued  
 Budget and Actual  
 Year Ended February 29, 2004  
 With Comparative Actual Amounts For Year Ended February 28, 2003

	BUDGET	ACTUAL	
		2004	2003
NON-OPERATING REVENUE (EXPENSES)			
Interest	\$ 1,000.00	\$ 651.68	\$ 615.31
Rental Income	-	2,000.00	2,000.00
Insurance Proceeds- Storm Damage	-	-	3,707.81
Operating Transfers From (To) Other Funds			
General Fund - Planning Commission	(500.00)	(500.00)	(500.00)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ 500.00	\$ 2,151.68	\$ 5,823.12
NET INCOME (LOSS)	\$ (7,847.00)	\$ (41,579.45)	\$ (40,774.66)
Depreciation on Fixed Assets Acquired by Grants and Shared Revenues Externally Restricted For Capital Acquisition and Construction That Reduces Contributed Capital.	-	29,893.89	29,893.89
Increase (Decrease) In Retained Earnings	\$ (7,847.00)	\$ (11,685.56)	\$ (10,880.77)
RETAINED EARNINGS - Beginning of Year	407,666.48	407,666.48	418,547.25
RETAINED EARNINGS - End of Year	\$ 399,819.48	\$ 395,980.92	\$ 407,666.48

## STATEMENT E-9

VILLAGE OF MARION, MICHIGAN  
Sewage Disposal System  
Comparative Statement of Cash Flows  
February 29, 2004

	2004	2003
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Cash Received From Customers	\$ 47,955.65	\$ 51,646.51
Cash Payments to Suppliers For Goods and Services	(28,578.80)	(9,586.45)
Cash Payments to Employees For Services	(5,187.88)	(9,771.28)
Cash Payments to Other Funds For Services	(14,136.30)	(21,143.95)
Net Cash Provided (Used) By Operating Activities	<u>\$ 52.67</u>	<u>\$ 11,144.83</u>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>		
Operating Transfers to Other Funds	\$ (500.00)	\$ (500.00)
Other Miscellaneous Revenues	2,000.00	5,707.81
Net Cash Flows from Non-Capital Financing Activities	<u>\$ 1,500.00</u>	<u>\$ 5,207.81</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Acquisition of Capital Assets	\$ (20,433.38)	\$ (21,823.61)
Sale of Capital Assets	-	20,000.00
Net Cash Provided (Used) By Capital Activities	<u>\$ (20,433.38)</u>	<u>\$ (1,823.61)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest on Cash and Investments	\$ 651.68	\$ 615.31
Increase (Decrease) in Cash and Cash Investments	\$ (18,229.03)	\$ 15,144.34
Cash and Cash Investments - Beginning of Year	133,222.07	118,077.73
Cash and Cash Investments - End of Year	<u>\$ 114,993.04</u>	<u>\$ 133,222.07</u>
<b><u>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>		
Income From Operations	\$ (43,731.13)	\$ (46,597.78)
Adjustments to Reconcile Income (Loss) From Operations To Net Cash Provided By Operating Activities:		
Depreciation	44,721.89	43,631.85
Changes in Assets And Liabilities:		
Decrease (Increase) in Due From Other Funds	108.35	15,481.69
Increase (Decrease) in Accounts Payable	(1,046.44)	(1,370.93)
Net Cash Provided (Used) by Operating Activities	<u>\$ 52.67</u>	<u>\$ 11,144.83</u>



STATEMENT F-1

VILLAGE OF MARION, MICHIGAN  
Comparative Statement of General Long-Term Debt  
Year Ended February 29, 2004

	2004	2003
<u>AMOUNT AVAILABLE AND TO BE PROVIDED FOR RETIREMENT OF GENERAL LONG-TERM DEBT</u>		
Amount In 2002 General Obligation Unlimited Tax Bonds Debt Retirement Fund	\$ 20,065.53	\$ 25,152.93
Amount To Be Provided From 2002 General Obligation Unlimited Debt Retirement Fund Revenues	<u>1,698,993.47</u>	<u>781,018.07</u>
	<u>\$ 1,719,059.00</u>	<u>\$ 806,171.00</u>
 <u>LONG-TERM DEBT PAYABLE</u>		
2002 General Obligation Unlimited Tax Bonds	<u>\$ 1,719,059.00</u>	<u>\$ 806,171.00</u>
	<u>\$ 1,719,059.00</u>	<u>\$ 806,171.00</u>

STATEMENT G-1

VILLAGE OF MARION, MICHIGAN  
Component Units  
Combining Balance Sheet  
February 29, 2004  
With Comparative Totals For February 28, 2003

	MARION COMMUNITY FIRE DEPT.	DOWNTOWN DEVELOPMENT AUTHORITY	MARION PUBLIC LIBRARY	TOTALS	
				2004	2003
<u>ASSETS</u>					
Cash	\$ 16,059.98	\$ 15,622.95	\$ 12,195.82	\$ 43,878.75	\$ 86,518.05
Investments	30,890.08	81,565.00	108,274.10	220,729.18	232,639.10
Accounts Receivable	1,500.00	-	-	1,500.00	1,000.00
Due From Other Governments	16,092.70	-	1,388.25	17,480.95	21,500.87
TOTAL ASSETS	<u>\$ 64,542.76</u>	<u>\$ 97,187.95</u>	<u>\$ 121,858.17</u>	<u>\$ 283,588.88</u>	<u>\$ 341,658.02</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 2,528.10	\$ -	\$ 274.36	\$ 2,802.46	\$ 2,446.10
Retirement Payable	-	-	78.20	78.20	39.43
TOTAL LIABILITIES	\$ 2,528.10	\$ -	\$ 352.56	\$ 2,880.66	\$ 2,485.53
<u>FUND BALANCE</u>					
Unreserved	<u>62,014.66</u>	<u>97,187.95</u>	<u>121,505.61</u>	<u>280,708.22</u>	<u>339,172.49</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 64,542.76</u>	<u>\$ 97,187.95</u>	<u>\$ 121,858.17</u>	<u>\$ 283,588.88</u>	<u>\$ 341,658.02</u>

VILLAGE OF MARION, MICHIGAN  
 Component Units  
 Combining Statement of Revenues, Expenditures and Changes In Fund Balances  
 Year Ended February 29, 2004  
 With Comparative Actual Amounts for Year Ended February 28, 2003

	MARION COMMUNITY FIRE DEPT.	DOWNTOWN DEVELOPMENT AUTHORITY	MARION PUBLIC LIBRARY	TOTALS	
				2004	2003
<b>REVENUES</b>					
Taxes	\$ -	\$ 11,369.60	\$ 10,510.94	\$ 21,880.54	\$ 21,617.43
State Grants	-	-	29,734.83	29,734.83	38,767.90
Contribution From Local Units	54,542.20	-	2,990.25	57,532.45	58,775.08
Charges For Service	4,100.00	-	960.83	5,060.83	6,842.81
Fines and Forfeits	-	-	310.35	310.35	235.85
Interest and Rents	201.35	1,188.71	1,397.49	2,787.55	4,343.72
Other Revenues	83,712.59	-	2,178.44	85,891.03	31,185.74
<b>TOTAL REVENUES</b>	<b>\$ 142,556.14</b>	<b>\$ 12,558.31</b>	<b>\$ 48,083.13</b>	<b>\$ 203,197.58</b>	<b>\$ 161,768.53</b>
<b>EXPENDITURES</b>					
Buildings and Grounds	\$ -	\$ 52,947.52	\$ -	\$ 52,947.52	\$ -
Public Safety	148,590.22	-	-	148,590.22	77,482.00
Recreation and Culture	-	400.00	61,022.87	61,422.87	71,152.66
<b>TOTAL EXPENDITURES</b>	<b>\$ 148,590.22</b>	<b>\$ 53,347.52</b>	<b>\$ 61,022.87</b>	<b>\$ 262,960.61</b>	<b>\$ 148,634.66</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (6,034.08)	\$ (40,789.21)	\$ (12,939.74)	\$ (59,763.03)	\$ 13,133.87
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers From(to)					
Primary Government	6,684.22	24,884.91	-	31,569.13	27,296.79
Primary Government	-	(21,929.00)	-	(21,929.00)	(15,000.00)
Component Units	2,500.00	-	-	2,500.00	-
Component Units	-	(2,500.00)	-	(2,500.00)	-
Principal Lease Payments	(7,118.54)	-	-	(7,118.54)	(6,779.50)
Interest Payments	(1,222.83)	-	-	(1,222.83)	(1,561.87)
Excess (Deficiency) of Revenue Over Expenditures and Other Sources (Uses)	\$ (5,191.23)	\$ (40,333.30)	\$ (12,939.74)	\$ (58,464.27)	\$ 17,089.29
<b>FUND BALANCE -Beginning of Year</b>	<b>67,205.89</b>	<b>137,521.25</b>	<b>134,445.35</b>	<b>339,172.49</b>	<b>322,083.20</b>
<b>FUND BALANCE -End of Year</b>	<b>\$ 62,014.66</b>	<b>\$ 97,187.95</b>	<b>\$ 121,505.61</b>	<b>\$ 280,708.22</b>	<b>\$ 339,172.49</b>

STATEMENT G-3

VILLAGE OF MARION, MICHIGAN  
Marion Community Fire Department Fund  
Comparative Balance Sheet  
February 29, 2004

	2004	2003
<u>ASSETS</u>		
Cash	\$ 16,059.98	\$ 21,914.23
Investments	30,890.08	26,369.90
Accounts Receivable	1,500.00	1,000.00
Due From Other Governments (Note 3)	16,092.70	20,112.62
	<u>16,092.70</u>	<u>20,112.62</u>
TOTAL ASSETS	<u>\$ 64,542.76</u>	<u>\$ 69,396.75</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 2,528.10	\$ 2,190.86
	<u>2,528.10</u>	<u>2,190.86</u>
TOTAL LIABILITIES	\$ 2,528.10	\$ 2,190.86
<u>FUND BALANCE</u>		
Unreserved	\$ 62,014.66	\$ 67,205.89
	<u>62,014.66</u>	<u>67,205.89</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 64,542.76</u>	<u>\$ 69,396.75</u>

## STATEMENT G-4

VILLAGE OF MARION, MICHIGAN  
Marion Community Fire Department Fund  
Statement of Revenues, Expenditures and Changes In Fund Balance  
Budget and Actual  
Year Ended February 29, 2004  
With Comparative Actual Amounts For Year Ended February 28, 2003

	BUDGET	ACTUAL	
		2004	2003
<b>REVENUES</b>			
Contribution From Local Units			
Hartwick Township	\$ 8,409.00	\$ 8,164.14	\$ 8,164.14
Highland Township	9,970.00	9,966.84	9,966.74
Redding Township	100.00	99.00	198.00
Marion Township	13,550.00	13,155.44	13,155.46
Middle Branch Township	8,408.00	8,406.02	8,406.02
Winterfield Township	14,007.00	14,750.76	13,648.22
Charges For Services			
Fire Runs	3,000.00	2,100.00	4,600.00
Extraction Fees	800.00	1,000.00	-
Auto Accidents	1,500.00	1,000.00	-
Interest and Rents			
Interest	100.00	201.35	328.22
Other Revenues			
Miscellaneous	100.00	-	-
FEMA Grant	-	62,597.00	28,821.00
Thermal Imager Donations	-	21,115.59	-
<b>TOTAL REVENUES</b>	<b>\$ 59,944.00</b>	<b>\$ 142,556.14</b>	<b>\$ 87,287.80</b>
<b>EXPENDITURES</b>			
Public Safety			
Fire Protection			
Salaries and Wages	\$ 6,500.00	\$ 8,588.00	\$ 5,596.00
Life Insurance	600.00	549.05	549.05
Workmen's Compensation	2,000.00	1,830.00	1,855.00
Office Supplies	400.00	483.50	887.64
Operating Supplies	1,500.00	2,691.21	2,265.23
Independent Audit and Accounting	1,000.00	1,100.00	1,000.00
Memberships and Dues	150.00	180.00	140.00
Communications	2,500.00	2,601.68	2,587.97
Gas and Oil	2,000.00	1,627.56	1,232.45
Insurance	11,000.00	12,539.12	10,569.00
Utilities	5,000.00	5,647.77	5,679.88
Repair and Maintenance	6,500.00	6,201.87	5,242.61
Rent	-	-	115.55
Administrative Fees	1,000.00	-	100.00
Contractual Services	-	-	900.00
Printing and Publishing	100.00	-	-

- Continued -

## STATEMENT G-4

VILLAGE OF MARION, MICHIGAN  
Marion Community Fire Department Fund  
Statement of Revenues, Expenditures and Changes In Fund Balance - Continued  
Budget and Actual  
Year Ended February 29, 2004  
With Comparative Actual Amounts For Year Ended February 28, 2003

	BUDGET	ACTUAL	
		2004	2003
<u>EXPENDITURES</u> - Continued			
Public Safety - Continued			
Fire Protection - Continued			
Education and Training	\$ 1,000.00	\$ -	\$ 177.50
Capital Outlay	23,263.08	104,550.46	38,584.12
TOTAL EXPENDITURES	\$ 64,513.08	\$ 148,590.22	\$ 77,482.00
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (4,569.08)	\$ (6,034.08)	\$ 9,805.80
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In			
From Primary Government	4,825.00	6,684.22	4,682.22
From Component Units	-	2,500.00	-
Principal Payments of Capital Lease	-	(7,118.54)	(6,779.50)
Interest Payments	-	(1,222.83)	(1,561.87)
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ 255.92	\$ (5,191.23)	\$ 6,146.65
<u>FUND BALANCE</u> - Beginning of Year	61,059.00	67,205.89	61,059.24
<u>FUND BALANCE</u> - End of Year	\$ 61,314.92	\$ 62,014.66	\$ 67,205.89

STATEMENT G-5

VILLAGE OF MARION, MICHIGAN  
Downtown Development Authority Fund  
Comparative Balance Sheet  
February 29, 2004

	2004	2003
<u>ASSETS</u>		
Cash	\$ 15,622.95	\$ 46,127.06
Investments	81,565.00	91,394.19
TOTAL ASSETS	<u>\$ 97,187.95</u>	<u>\$ 137,521.25</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ -	\$ -
<u>FUND BALANCE</u>		
Unreserved	<u>\$ 97,187.95</u>	<u>\$ 137,521.25</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 97,187.95</u>	<u>\$ 137,521.25</u>

## STATEMENT G-6

VILLAGE OF MARION, MICHIGAN  
Downtown Development Authority Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Year Ended February 29, 2004  
With Comparative Actual Amounts For Year Ended February 28, 2003

	BUDGET	ACTUAL	
		2004	2003
<b>REVENUES</b>			
Current Property Taxes			
Marion Township	\$ 12,000.00	\$ 11,369.60	\$ 11,632.23
Interest	3,000.00	1,188.71	2,373.24
<b>TOTAL REVENUES</b>	<b>\$ 15,000.00</b>	<b>\$ 12,558.31</b>	<b>\$ 14,005.47</b>
<b>EXPENDITURES</b>			
Independent Audit and Accounting	\$ 500.00	\$ 500.00	\$ 550.00
Projects Director	3,000.00	3,000.00	3,000.00
Professional Services	15,000.00	2,339.50	2,484.55
Office Supplies	500.00	55.31	17.24
Community Promotion	6,000.00	400.00	650.00
Capital Outlay:			
Veterans Memorial Park	-	-	52.25
Mill Pond Project	20,000.00	14,829.30	-
Jenkins Project	30,000.00	21,438.12	-
Real Estate Acquisition	30,000.00	10,785.29	-
Property Improvements	15,000.00	-	-
Contingencies	6,500.00	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 126,500.00</b>	<b>\$ 53,347.52</b>	<b>\$ 6,754.04</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (111,500.00)</b>	<b>\$ (40,789.21)</b>	<b>\$ 7,251.43</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers From (To)			
Primary Government			
Current Property Taxes	23,500.00	24,884.91	22,614.57
Water Project	(30,000.00)	(10,000.00)	(15,000.00)
Parking Lot Project	-	(11,929.00)	0.00
Park Project	(20,000.00)	-	-
Component Units			
Thermal Imager Project	-	(2,500.00)	0.00
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)</b>	<b>\$ (138,000.00)</b>	<b>\$ (40,333.30)</b>	<b>\$ 14,866.00</b>
<b>FUND BALANCE - Beginning of Year</b>	<b>137,521.25</b>	<b>137,521.25</b>	<b>122,655.25</b>
<b>FUND BALANCE - End of Year</b>	<b>\$ (478.75)</b>	<b>\$ 97,187.95</b>	<b>\$ 137,521.25</b>



STATEMENT G-7

VILLAGE OF MARION, MICHIGAN  
Marion Public Library Fund  
Comparative Balance Sheet  
February 29, 2004

	2004	2003
<u>ASSETS</u>		
Cash	\$ 12,195.82	\$ 18,476.76
Investments	108,274.10	114,875.01
Due From Other Governments		
Contribution From Local Units	1,388.25	1,388.25
TOTAL ASSETS	<u>\$ 121,858.17</u>	<u>\$ 134,740.02</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 274.36	\$ 255.24
Retirement Payable	78.20	39.43
TOTAL LIABILITIES	\$ 352.56	\$ 294.67
<u>FUND BALANCE</u>		
Unreserved	121,505.61	134,445.35
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 121,858.17</u>	<u>\$ 134,740.02</u>

## STATEMENT G-8

VILLAGE OF MARION, MICHIGAN  
 Marion Public Library Fund  
 Statement of Revenues, Expenditures and Changes In Fund Balance  
 Budget and Actual  
 Year Ended February 29, 2004  
 With Comparative Actual Amounts For Year Ended February 28, 2003

	BUDGET	ACTUAL	
		2004	2003
<b>REVENUES</b>			
Taxes			
Current Tax Levy	\$ 9,366.00	\$ 9,892.44	\$ 9,366.70
Single Business Tax	618.50	618.50	618.50
State Grants			
State Aid	3,000.00	533.82	3,432.04
Penal Fines	30,000.00	29,201.01	35,335.86
Contribution From Local Units	2,250.00	2,990.25	5,236.50
Charges For Services			
Copy, Fax and Postage Fees	385.00	474.15	408.00
Book Sales	700.00	486.68	1,834.81
Fines and Forfeits			
Book Fines	200.00	310.35	235.85
Interest and Rents			
Interest	1,400.00	1,397.49	1,642.26
Other Revenue			
Oil Royalties	1,400.00	2,059.88	1,473.02
Contributions and Donations	200.00	120.00	855.00
Miscellaneous	50.00	(1.44)	36.72
<b>TOTAL REVENUES</b>	<b>\$ 49,569.50</b>	<b>\$ 48,083.13</b>	<b>\$ 60,475.26</b>
<b>EXPENDITURES</b>			
Recreation and Culture			
Salaries and Wages	\$ 25,667.00	\$ 24,235.14	\$ 24,159.10
Social Security and Medicare	1,966.00	1,581.70	1,474.95
Retirement	560.00	741.90	489.54
Unemployment	150.00	-	71.58
Workmen's Compensation	60.00	-	42.95
Life and Health Insurance	11,397.30	10,541.11	7,818.85
Office Supplies	800.00	797.05	697.73
Periodicals and Subscriptions	500.00	444.70	442.81
Independent Audit and Accounting	2,000.00	2,000.00	1,950.00
Memberships and Dues	2,000.00	1,835.46	467.47
Communications	570.00	820.07	374.27
Contracted Services-Library Automation	2,200.00	2,189.40	1,489.40

- Continued -

## STATEMENT G-8

## VILLAGE OF MARION, MICHIGAN

## Marion Public Library Fund

## Statement of Revenues, Expenditures and Changes In Fund Balance - Continued

## Budget and Actual

Year Ended February 29, 2004

With Comparative Actual Amounts For Year Ended February 28, 2003

	BUDGET	ACTUAL	
		2004	2003
<b>EXPENDITURES - Continued</b>			
Recreation and Culture - Continued			
Insurance	\$ 4,250.00	\$ 4,238.22	\$ 2,921.08
Utilities	2,500.00	2,429.10	2,357.66
Repair and Maintenance	2,575.00	2,058.59	1,245.68
Education and Training	200.00	73.80	163.00
Administrative Fees	1,500.00	1,500.00	1,500.00
Donation Fund Expense	125.00	68.40	830.55
Contributions and Donations	-	-	37.60
Summer Reading Program	-	-	60.62
Customer Books	700.00	439.51	1,762.25
Printing and Publishing	-	19.90	26.40
Childrens Programs	200.00	101.78	
Capital Outlay			
Equipment	1,500.00	-	3,029.00
Books	5,000.00	4,907.04	4,397.63
Building	500.00	-	-
Land Improvements	-	-	6,588.50
<b>TOTAL EXPENDITURES</b>	<b>\$ 66,920.30</b>	<b>\$ 61,022.87</b>	<b>\$ 64,398.62</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (17,350.80)</b>	<b>\$ (12,939.74)</b>	<b>\$ (3,923.36)</b>
<b>FUND BALANCE - Beginning of Year</b>	<b>134,445.35</b>	<b>134,445.35</b>	<b>138,368.71</b>
<b>FUND BALANCE - End of Year</b>	<b>\$ 117,094.55</b>	<b>\$ 121,505.61</b>	<b>\$ 134,445.35</b>

SCHEDULE-1

VILLAGE OF MARION, MICHIGAN  
Statement of 2003 Tax Roll  
February 29, 2004

TAXES ASSESSED - Taxable

Valuation (\$9,898,463)

General Fund (13.087 Mills)	\$ 127,430.27
2002 General Obligation	
Unlimited Tax Bonds Debt Retirement(6.0 Mills)	59,389.13
Marion Public Library Fund (1.0 Mill)	9,896.56
Delinquent Water Bills	212.08

\$ 196,928.04

TAXES COLLECTED

General Fund	\$ 114,552.07
2002 General Obligation	
Unlimited Tax Bonds Debt Retirement(6.0 Mills)	53,387.25
Marion Public Library Fund	8,896.49
Delinquent Water Bills	-

\$ 176,835.81

TAXES RETURNED DELINQUENT

General Fund	\$ 12,878.20
2002 General Obligation	
Unlimited Tax Bonds Debt Retirement(6.0 Mills)	6,001.88
Marion Public Library Fund	1,000.07
Delinquent Water Bills	212.08

20,092.23

\$ 196,928.04

August 31, 2004

To The President and Village Council  
Village of Marion  
Marion, Michigan

During the course of my audit of the books and accounts of the Village of Marion, Michigan, for the year ended February 29, 2004, I noted the following items which I feel should be incorporated into future management and record keeping requirements of the municipality:

1. Budgetary Control

The State of Michigan Budgeting Act #621 has not been followed. The General Fund had expenditures in excess of appropriations for several activities. The Water Supply System, Sewage Disposal System and Marion Community Fire Department had expenditures in excess of appropriations. The Downtown Development Authority Fund had budgeted expenditures that exceeded the beginning fund balance plus budgeted revenues. In the future, the budget should be amended prior to approving items for payment that would otherwise exceed the budgeted amounts.

2. Deposits and Investments

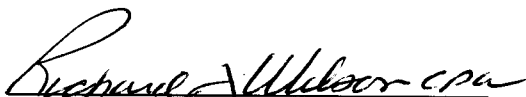
At times during the year excess funds were being carried in checking accounts. Transfers should be made to interest bearing investments for monies not needed for current expenditures. Also, the General Fund had investments that were not covered by federal depository insurance. An effort should be made to reallocate investments to maintain insurance coverage.

3. Overall Financial Condition

I would like to commend the President and Council members for another year of Village improvements, especially the water project and the successful efforts of bidding and using Village personnel to make the project financially feasible. The General Fund Balance increased by \$25,973 during the year.

I would also like to thank the Village Clerk and Treasurer for a fine job in maintaining the accounting records during the year as evidenced by minimal year end inter-fund payable and receivable adjustments.

I wish to express my appreciation in allowing us to conduct the Village audit and for the cooperation and courtesy extended by the various Village employees during the course of our examination. If you have any questions relative to the preceding comments and recommendations or other areas of your annual audit, please do not hesitate to contact me.



Richard J. Wilson, CPA



**VILLAGE OF MARION**

**Marion, Michigan**

**Single Audit Report**

**February 29, 2004**

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**Report on Compliance and on Internal Control Over  
Financial Reporting Based on an Audit of Financial  
Statements Performed in Accordance with  
Government Auditing Standards**

Village of Marion  
Marion, Michigan

We have audited the financial statements of the Village of Marion as of and for the year ended February 29, 2004, and have issued our report thereon dated August 31, 2004, which is qualified for the omission of general fixed assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Marion's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village of Marion's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



This report is intended solely for the information and use of the Village of Marion management and the federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

*Wilson & Sharrar, P.C.*

Mt. Pleasant, Michigan  
August 31, 2004

**Report on Compliance with Requirements Applicable to Each  
Major Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133**

Village of Marion  
Marion, Michigan

Compliance

We have audited the compliance of the Village of Marion with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended February 29, 2004. The Village of Marion's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village of Marion's management. Our responsibility is to express an opinion on the Village of Marion's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Marion's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village of Marion's compliance with those requirements.

In our opinion, the Village of Marion complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended February 29, 2004.

Internal Control over Compliance

The management of the Village of Marion is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Marion's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Village of Marion in a separate letter dated August 31, 2004.

#### Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the Village of Marion as of and for the year ended February 29, 2004, and have issued our report thereon dated August 31, 2004, which is qualified for the omission of general fixed assets. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The omission of general fixed assets has no effect on the Schedule of Expenditures of Federal Awards.

This report is intended solely for the information of the Village of Marion management and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

*Wilson & Sharrar, P.C.*

Mt. Pleasant, Michigan  
August 31, 2004

**Village of Marion**  
**Schedule of Expenditures of Federal Awards**  
**February 29, 2004**

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Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	<u>Federal CFDA Number</u>	<u>Approved Grant Amount</u>	<u>Current Year Expenditures</u>
Environmental Protection Agency			
Drinking Water State Revolving Fund		\$ 1,800,000	\$ 912,888
Less: state portion		<u>-</u>	<u>276,788</u>
	66.468	1,800,000	636,100
 Total Federal Programs		 <u>\$ 1,800,000</u>	 <u>\$ 636,100</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**Village of Marion**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**February 29, 2004**

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1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.

**Village of Marion**  
**Schedule of Findings and Questioned Costs**  
**February 29, 2004**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued: Qualified for the omission of general fixed assets.

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes      X   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes      X   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes      X   none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

\_\_\_\_\_ yes      X   no

Identification of major programs:

*CFDA Number(s)*

*Name of Federal Program or Cluster*

66.468

Drinking Water State Revolving Fund

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes      X   no

**Village of Marion**  
**Schedule of Findings and Questioned Costs**  
**February 29, 2004**  
**(continued)**

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**SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS**

There were no findings related to the financial statements which are required to be reported in accordance with government auditing standards generally accepted in the United States of America for the year ended February 29, 2004.

**SECTION III - FEDERAL AWARD FINDINGS**

There were no findings or questioned costs for Federal Awards for the year ended February 29, 2004.

**Village of Marion**  
**Summary Schedule of Prior Audit Findings**  
**February 29, 2004**

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There were no findings or questioned costs for Federal Awards for the year ended February 28, 2003.